



GOVERNING BOARD

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December 18, 2003

Ms. Debbie Davenport
Auditor General
2910 North 40th Street, Suite #410
Phoenix, AZ 85018

Dear Ms. Davenport:

Enclosed is the Agua Fria Union High School District #218 response to the Auditor General's Performance Audit Report. We are indebted to Anne Orrico, Audit Manager, and her team for the time, effort and professionalism displayed while on assignment at our District.

The report points out a number of areas with which we are in general agreement and some we are already implementing to ensure compliance. There are, however, a few major areas that the District must respond to contrary to the team findings. Consistent with the philosophy that has driven the Agua Fria Union High School District for many years, we will continue to be respectful of our constituents by striving for outstanding academic progress, fiscal responsibility through financial reporting, and procedures and compliance with all state and federal statutes. We are confident that a collaborative effort within the District and through your office will assist us in attaining these goals.

Please do not hesitate to contact me if you have any questions.

Regards,

Doug Wilson
Superintendent

DW/pd

Attachment

Agua Fria Union High School District #216

District Response to the Auditor General's Performance Audit Report

December 19, 2003

Chapter 1: Administration

Recommendation - The District should review its staffing levels to determine whether the number of administrative positions can be reduced.

District Response – The District agrees with the recommendation to review staffing levels, and has held the position count steady while adding nearly 1000 students since FY2002. However the report concludes that the District has an administrative staff of **37.0 FTE**, but several positions may be incorrectly attributed to administration. The Appendix lists the Network Assistant and Network Technician positions, (2.73 FTE) which the District believes not to be administrative.

Although the Director of Technology coordinates their activities, this staff works in the schools to performs technician-level functions on computer workstations, peripheral equipment, telecommunications and network infrastructure – as do other maintenance technicians. The District believes these positions should not be classified as administrative because they do not perform any of the tasks described in the Chart of Accounts function code 2800. Specifically they are not involved in "...preparing data for storage, storing data, and retrieving it..." and they do not perform "...system analysis, programming, and operations services..." as listed for Object code 2840. Furthermore, these positions do not meet the FLSA tests for either Administrative or Professional staff.

Adoption of this requested revision would result in an Administrative count for the District of **34.3 FTE**, or **80.0** students per administrative staff. This is slightly better than the **79.6** students per administrator listed in Table 3 for the average of the comparison group.

Chapter 2: Food Service

Recommendations - None

Chapter 3: Student Transportation

Recommendations - None

Chapter 4: Plant Operations and Maintenance

Recommendation – The District should monitor its electricity and repair and maintenance cost to determine whether it is achieving the desired costs savings and improving energy efficiency. If the savings fall below expectations, the District should consider what other energy-efficiency measures it can take.

District Response – The District agrees with the recommendation and has been proactive for a number of years in both improving the student learning environment and reducing energy consumption during its rapid transition from rural to urban due to growth in the west valley. The District currently reviews on a monthly basis its current facility utility consumption, costs and trends from prior months and years. During this time, the District has through various means updated and/or replaced most of its antiquated, inefficient power consuming equipment. In 2002 the District was recognized through Governor’s Energy Efficiency Awards for two projects – Central Plant Optimization and Lighting Energy Saving Projects.

A number of factors make it a priority for the District to achieve energy efficiency. The cost of electrical energy and natural gas has been depressed for some time in the APS and SWG service areas. Now, with the recent APS rate increase request before the Corporation Commission, business rates (which include schools) are proposed to increase 18%. Sadly this sudden increase is occurring in the period in which the Excess Utilities levy is being eliminated by Proposition 301, and represents a serious challenge to classroom dollars.

The Proposition 301 extension of the school year, summer sessions and modified school year adoption by many districts has increased the required number of school days, and extending sessions into the hottest part of the year. Furthermore, the School Facilities Board has adopted standards for school HVAC systems that provides for refrigerated air conditioning in facilities located below 4,000 feet altitude. Although we believe this is both beneficial to learning and meeting the expectation of today’s students and parents, the District and other schools are just now fully feeling the additional utility cost impact of additional school days and refrigeration over evaporative cooling. Tucson Unified School District recently reported experiencing nearly tripled utility costs for its schools converted from evaporative cooling to refrigeration.

The District has concluded that units of energy per square foot and per student (i.e. kilowatts, BTUs or therms, rather than dollars) are true and universal indicators of performance. Statewide there are many utilities and many rate structures, further compounded by differing climates. Comparison of one district’s costs with other districts without accounting

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for differing variables will not produce an accurate representation of their success in energy conservation. Also, energy consumption is directly related to increased square footage and exponentially related to increased occupancy.

With regard to the Audit's comparison of Plant Costs and Repair and Maintenance costs (Tables 6 and 7), when the assumed Central Plant Repair and Maintenance costs are backed out, the District is in line or below the selected comparable district's average, and well below the state average for high school districts. (Please refer to the rationale presented later in this response: Chapter 6, Recommendation 2, for additional information.) For Table 6, the recalculated Per Student cost is **\$845**, below the comparable district average of **\$852** and well below the statewide high school districts average of **\$1,029**. And for Table 7, Repair and Maintenance costs are \$84,000, vs. the selected comparable districts costs ranging from \$58,509 to \$75,723.

Additionally, District staff did in fact validate before accepting the vendor's estimates as reasonable and consistent with industry standards, contrary to the statement in the report.

Chapter 5: Proposition 301 Monies

Recommendation – The District should maintain proper documentation to verify that employees receiving performance pay have successfully completed the requirements.

District Response – The District agrees with the recommendation and has implemented a process that will ensure documentation is maintained.

Chapter 6: Classroom dollars

Recommendation 1 – The District should classify all transaction in accordance with the Uniform Chart of Accounts for school districts.

District Response – The District agrees with the recommendation and will continue to utilize a review process to ensure accurate transaction coding.

Recommendation 2 – The District should notify the State Board of Education about the expenditures in excess of the Maintenance and Operation and Unrestricted Capital Outlay Fund limits and file a revised annual financial report for fiscal year 2002.

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District Response -The District disagrees and takes exception to the audit's conclusion that heating and cooling costs associated with vendor supplied hot and chilled water provided to the schools cannot be coded as a direct utility cost. The District and counsel will be meeting with Arizona Department of Education and Attorney General staff to resolve this issue. The District will take the appropriate actions based on the outcome of this matter.

In 2001, the District contracted for the supply of hot and chilled water to heat and cool its campuses. The vendor as a utility is obligated to supply the appropriate temperatures, pressures and flows to the District's buildings, meters the energy consumed and in turn bills for the costs of heating and cooling the buildings. The contract is statutorily limited to 5 years, and provides renewal options. As any utility, the vendor must operate, maintain and invest in equipment to perform its function. The audit's assertion that these costs borne by the vendor should be recoded by the District to M&O or Capital accounts is no more valid than doing the same with all utility bills.

ARS 15-910 provides for "...direct operational costs of heating, cooling, water & electricity, telephone communications and sanitation fees." However, heating and cooling costs have been erroneously limited to oil, coal, bottle gas, electricity and natural gas in the somewhat dated statute interpretation provided by the USFR account code breakdown. The USFR account codes are only a partial listing of energy sources and measurements. Omitted from the list are other sources, for example, direct thermal energy delivery (BTUs) and evolving energy sources such as micro-generation, hydrogen, geothermal or solar production. Due to progress and innovation in energy distribution, and common practice in the private sector, the USFR interpretation of ARS 15-910 should be updated to facilitate and encourage the most prudent use of energy resources by public school districts.

Chapter 7: Desegregation monies

Recommendations – None