

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Subject

Tanque Verde Unified School District is located on the northeast edge of Tucson and has two elementary schools and one junior high serving approximately 1,450 students from kindergarten through 9th grade. It also buses 500 high school students to neighboring districts.

Our Conclusion

The District's administration, food service, and plant operation and maintenance costs are less than the average for comparable districts, while its transportation costs are similar. These lower costs allow the District to spend 60.7 percent of its dollars in the classroom, 2.5 percent above the state average of 58.2 percent. The District also spent its Proposition 301 monies appropriately.



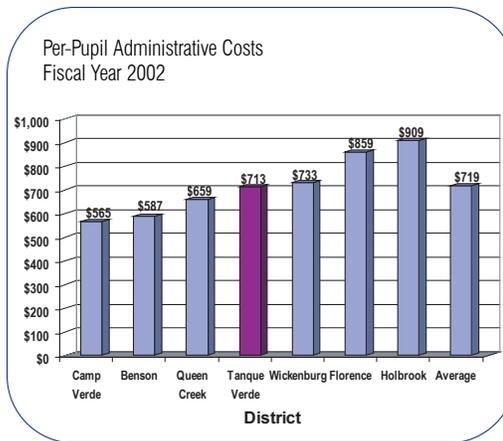
2003

August • 2003

Administrative Costs

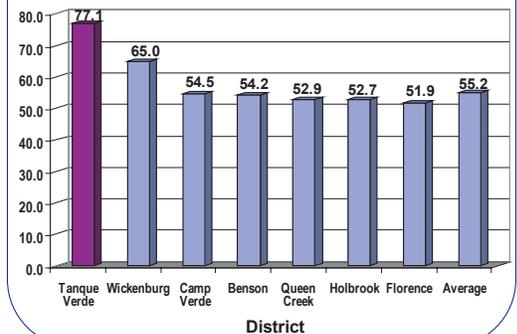
Administrative costs are associated with directing and managing a school district's responsibilities. At the school level, these costs are primarily associated with the principal's office. At the district level, they are primarily associated with the governing board, superintendent's office, business office, and support services.

Tanque Verde's administrative costs for FY 2002 were slightly less than those for comparable districts.



Administrators—One reason for the lower administrative costs is that the District has a higher ratio of students per administrative staff.

Students Per Administrative Staff
 Fiscal Year 2002



Benefits—The District also has lower employee benefit costs, especially for health insurance. For example, while the comparable districts pay 100 percent of employee health insurance premiums for individual coverage, Tanque Verde pays approximately 50 percent.

Although Tanque Verde's nonteaching employees believe that they could receive higher salaries and benefits elsewhere, they told us they prefer working for the District because:

- The District has created a friendly environment many compare to a family
- Students are respectful and willing to learn
- Parents are highly involved

Food Service

FY 2002 Food Service Facts

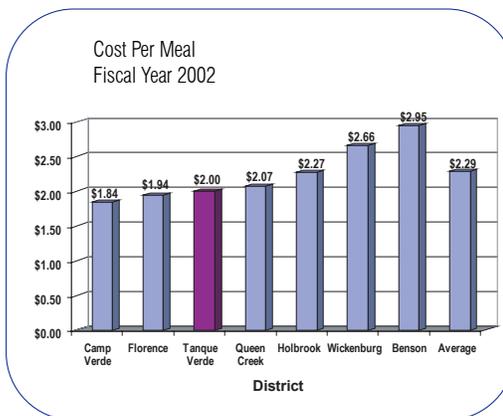
Lunch-equivalent meals served	192,935
Average cost per meal	\$2.00
Kitchens/Cafeterias	3
Full time managers	3
Part time staff	11
Percentage of students eligible for free/reduced price lunch	5%

The District's food service program runs efficiently, but is losing money and needs to raise its meal prices.

Meal costs—The District's cost per meal is 29 cents lower than the average for comparable districts.

The District also makes extra efforts to obtain the best prices when purchasing food. Even though it is a member of a purchasing cooperative it often obtains its own quotes and receives further savings. For example, it saved 22 percent on milk purchases.

Meal prices—Despite its relatively low cost per meal, the program is losing money—about \$56,000 in FY 2002 and \$15,000 in FY 2003. The program depends on meal sales for most (84 percent) of its revenues. However, while a meal costs \$2.00 to prepare, the District charges \$1.35 for elementary and \$1.50 for junior high lunches.



The District's cost per meal is lower due to lower salary and benefit costs, and food and supply costs. As noted before, the District pays less in benefits than other districts. In addition, the District functions without a Food Service Director position. More than 6 years ago, the District's three cafeteria managers volunteered to assume the former food service Director's duties and manage the program as a team.

For the past 2 years, the District has been able to use an available cash balance in its food service fund to subsidize its meal prices. At the current rate of loss, the cash balance will be depleted during FY 2004. The District will need to analyze its projected costs and revenues, and calculate the meal prices needed to return the program to break-even status.

Financial analyses—The District's financial staff can assist the food service program by conducting financial analysis to provide for the long-term financial health of the program. Such analysis should include:

- A more detailed budget separating food and labor costs
- A comparison of budget to actual revenues and expenditures
- A calculation of performance measures, such as cost/meal and meals/labor hour

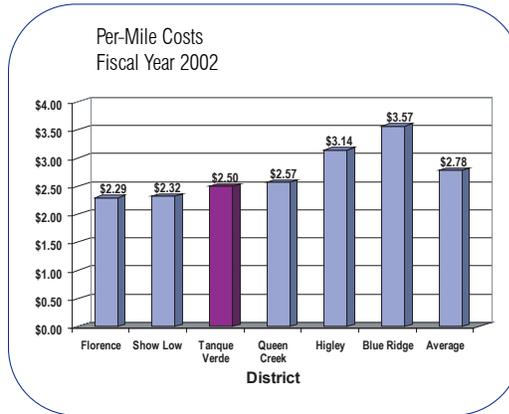
Recommendations

The District should:

- Analyze and increase meal prices
- Provide financial analyses for the food service program

Student Transportation

The District's student transportation program appears efficient, and costs appear reasonable given the miles driven and the students transported. The District transports 978 students. Its regular education bus routes average 30 minutes in length, and the buses operate at 84 percent capacity. Although the District's cost per rider is above the average of comparable districts, its cost per mile to operate is lower.



We found the District accurately records and reports its average daily mileage for requesting state transportation funding. However, the District inaccurately reported

the number of students riding the buses. This error may have resulted in the District receiving an additional \$31,000 in state transportation funding.

Recommendations

The District should:

- Properly determine the number of eligible students transported

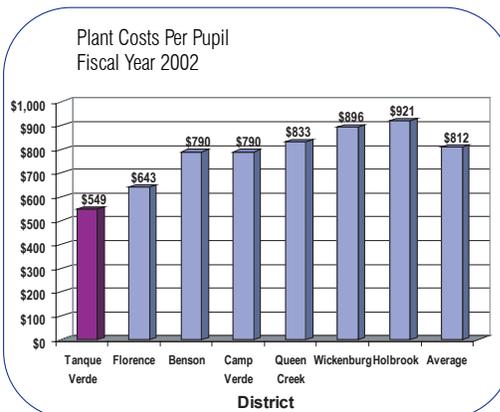
Plant Operation and Maintenance

Plant operation and maintenance costs include salaries, benefits, and other costs for heating/cooling, equipment repair, grounds keeping, and security. Previous Auditor General studies have shown that saving in this area has a significant potential for increasing the state-wide percentage of dollars spent in the classroom.

The District's costs were lower than all the comparable districts'.

Percent of Current Dollars Spent on Plant Operation and Maintenance

Arizona average	11.8%
National average	9.7%
Tanque Verde	9.4%



The District's salary costs are about 25 percent less per square foot than the comparable districts. Further, the District has 15 percent fewer square feet per student than comparable districts. This is largely attributable to the District not currently having a high school. High schools require specialized facilities such

as chemistry laboratories, vocational education facilities, and more extensive athletic facilities.

The District's plant operations and maintenance costs will likely increase after the District builds its new high school.

Proposition 301 Monies

Proposition 301 increased the state-wide sales tax by 0.6 percent for 20 years beginning in FY 2001. Proposition 301 designates the money for base pay increases, performance pay, and certain menu options such as reducing classroom size, providing dropout prevention programs, and additional pay increases.

Teachers earned performance pay increases by participating in and achieving goals in the Career Ladder program or in a "mini-plan" program developed by the District. Almost all of the teachers participated in the Career Ladder program. Approximately 96 percent of the teachers earned the full amount of performance pay available.

Each eligible full-time employee meeting all performance requirements received salaries and benefits totaling \$3,963 in Proposition 301 monies. Besides base pay increases and performance pay, the District chose to use its menu money for teacher pay increases as allowed by statute.

Proposition 301 Monies Paid Per Employee
Fiscal Year 2002

Category	Budgeted	Actual
Base Pay	\$ 917	\$ 870
Performance Pay	1,834	1,663
Menu Options	1,834	1,438
Total	\$4,585	\$3,963

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

Contact person for this report:
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Classroom Dollars

The District generally records expenditures in accordance with the school district Uniform Chart of Accounts, although we found a few errors. Correcting these errors reduced the District's FY 2002 classroom

dollar percentage by 0.9 percent. However, the District's corrected classroom dollar percentage was still 60.7 percent. The state-wide average was 58.2 percent.