



Arizona Department of Education

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Average Daily Membership Audit Report Scottsdale Unified School District Fiscal Years 2018, 2019 and 2020

Report Number—22-20
December 21, 2021



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Arizona Department of Education

Audit Unit

December 21, 2021

Dr. Scott Menzel, Superintendent
Scottsdale Unified School District
7575 E Main St
Scottsdale, AZ 85251 4522

Dear Superintendent Menzel:

The Arizona Department of Education Audit Unit has conducted an audit of the Scottsdale Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2018, 2019 and 2020. The purpose of the audit was to address whether the District properly reported student enrollment, and to determine if it received the correct amount of Basic State Aid and budget capacity.

Auditors determined that the District incorrectly reported the enrollment data of 262 students, which resulted in its ADM being overstated by 146.83. Furthermore, auditors determined that the District incorrectly reported the AOI data of 137 students, which resulted in an ADM understatement of 5.62. In total, the District had an ADM overstatement of 141.21. Additionally, auditors determined that the District failed to properly maintain some required documentation in student cumulative files.

We appreciate the cooperation and assistance provided by the District's administration during the course of the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melissa Moreno".

Melissa Moreno,
Chief Auditor

Kathy Hoffman, Superintendent of Public Instruction

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Scottsdale Unified School District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment data to ADE and received the correct amount of Basic State Aid for Fiscal Years (FY) 2018 through 2020.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADE may conduct ADM audits, which help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district's or charter school's information reported to ADE's student data system to information found on the original records kept at the school. If auditors find that the school district's or charter school's reported information does not match the original documentation, the audit will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

Superintendent's legal notice links the audit and appeals processes—In addition to the report, the audited entity receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. The audited entity may appeal the Superintendent's decision in the Notice.

Opportunity to appeal the audit—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent

allow a correction to be made partly in the current budget year and partly in the following budget year.

In addition, ADE will adjust the District’s budget capacity if required. ADE School Finance Memorandum 13-011 summarizes the budget capacity adjustment authorized by statute:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

District information—The District, located in Scottsdale, Arizona, offered instruction in grades Preschool through 12 during the fiscal years audited. The District operated five high schools, five middle schools and 19 elementary schools. Table 1 presents the District’s unaudited student, staffing and financial information for FY2018, FY2019 and FY2020.

Table 1

**Scottsdale Unified School District
Total students, revenues and expenditures
Fiscal years 2018, 2019 and 2020
(Unaudited)**

	2018	2019	2020
Students enrolled	22,529	22,227	22,360
Number of teachers	1,305	1,304	1,363
Revenue			
Local	\$ 185,461,014	\$ 201,026,730	\$ 198,652,842
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 40,271,620	\$ 40,229,544	\$ 41,904,690
Federal	\$ 14,825,092	\$ 14,832,666	\$ 14,529,775
Total revenues	\$ 240,557,726	\$ 256,088,939	\$ 255,087,307
Total expenditures	\$ 245,799,401	\$ 250,234,420	\$ 271,271,725

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2018, FY2019 and FY2020.

SCOPE AND METHODOLOGY

The audit focused on whether the District accurately reported its data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records for Arizona School Districts (USFR) and its own policies and procedures for FY2018, FY2019 and FY2020.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 4,959 of 70,626 students over the three fiscal years audited. Adjustments to ADM are based solely on those identified students that the auditors evaluated further and are not extrapolated to create findings for the entire student population. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff. Specifically:

- **Enrollment data** – Auditors reviewed student schedules, enrollment histories and attendance data to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly, and made adjustments if they were needed.
- **FTE calculations** – Auditors reviewed the bell schedules and student schedules to determine whether the District reported the correct full-time enrollment (FTE) data to ADE. Auditors calculated the FTE based on the classes and time a student was enrolled in the District, and compared the FTE to what was reported to ADE. When the FTE was incorrect, auditors made an adjustment.
- **AOI data** – Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the District. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. When the data reported to ADE was incorrect, an adjustment was determined.
- **Student files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY2018, FY2019 and FY2020. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited.
- **SPED data** – Auditors determined whether an adjusted student had also been

funded for a special education (SPED) category. When students with a special education category also had an adjustment, auditors made an adjustment to the special education weight as well.

- **Limiting** – Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by ADE's system. No findings were identified for this area.

The Audit Unit expresses its appreciation to the District's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA, RESULTING IN AN OVERSTATEMENT OF 146.83 ADM

Auditors determined that the District inaccurately reported the student data for 262 students for FY2018, FY2019 and FY2020. Specifically, auditors found that 162 students had an incorrectly reported FTE, 39 students had insufficient homebound instruction or did not have homebound medical certification, 24 preschool students were reported incorrectly due to an incorrect calendar, 17 students had a non-fundable interval due to 10 or more consecutive absences, 15 students had incorrect enrollment dates, two students were funded but did not attend, two students attended but were not funded and one student had 10 consecutive unexcused absences and should have been withdrawn. In addition, 54 of these students that had data reported incorrectly were also funded with a SPED category. As a result of these errors, the District's ADM was overreported by 146.83.

The District inaccurately reported some student data

The District inaccurately reported 262 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 146.83.

According to A.R.S. § 15-901, for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four subjects which meet at least 123 hours annually each and total at least 720 instructional hours for the year. A student who does not meet these requirements is considered a part-time student and their FTE status must be reduced based on the number of actual instructional hours provided and courses enrolled.¹ In addition, according to ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901, with the exception of pre-enrolled students, the enrollment dates for a student are the first day of actual attendance and the last day of actual attendance or excused absence. A.R.S. § 15-901 also states homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered full-time. Finally, A.R.S. § 15-901 states that a student with 10 consecutive unexcused absences must be withdrawn and beginning in FY2019, and School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused or unexcused) based on the number of instructional calendar days at their

¹ Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least four subjects each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three subjects each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two subjects each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one subject which meets for at least 123 hours annually.

school and incur 10 or more consecutive absences will generate non-fundable ADM intervals. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 162 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 16.93.
- 39 students did not receive sufficient homebound instruction or did not have appropriate medical certification. As a result, the ADM for the District was overreported by 28.05.
- 24 students were reported with incorrect membership days due to an incorrect preschool calendar. As a result, the ADM for the District was overreported by 0.19.
- 17 students had excessive absences which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 2.96.
- 15 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 1.69.
- 2 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.07.
- 2 students attended the District, but were not reported as being enrolled in the District. As a result, the ADM for the District was underreported by 0.51.
- 1 student had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 0.58.
- 54 of the students that had data reported incorrectly were also funded with a SPED category. As a result, the weighted SPED ADM for the District was overreported by 96.87.

As shown in Table 2 (see page 7), data reporting errors resulted in an ADM overstatement of 146.83 for the three fiscal years audited.

Table 2

**Scottsdale Unified School District
ADM adjustments due to enrollment data errors
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
Incorrect FTE	11.77	1.92	3.24	16.93
Homebound	9.37	9.01	9.67	28.05
PS calendar	(0.06)	(0.20)	0.45	0.19
Non-fundable interval	-	1.73	1.23	2.96
Incorrect enrollment dates	0.84	0.09	0.76	1.69
Did not attend	0.07	-	-	0.07
Attended	-	(0.01)	(0.50)	(0.51)
Absence	0.58	-	-	0.58
SPED	42.24	19.28	35.35	96.87
Total	64.81	31.82	50.20	146.83

Source: Auditor analysis of District records, ADE data for FY2018, FY2019 and FY2020.

The District failed to comply with statute and ADE guidelines

The District did not follow statute and ADE guidelines when calculating and reporting student FTE or student enrollment data.

Auditors determined that 162 of the District's students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). High school students must be enrolled in four subjects that meet at least 123 annual instructional hours each and total at least 720 annual instructional hours to qualify for 1.0 FTE. Common school students must be enrolled in an instructional program that meets for at least the minimum required annual instructional hours for the student's grade level to qualify for 1.0 FTE. However, the FTE that was reported for 162 students was not correct based on the number of courses or annual instructional hours the students were enrolled in.

Additionally, the District misreported the enrollment data of 37 students. According to ARS § 15-901 and ADE guidelines, the first day of membership for continuing or pre-enrolled students, shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school. ARS § 15-901 also states that a student with 10 consecutive unexcused absences must be withdrawn and beginning in FY2019, School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused and unexcused) based on the number of instructional calendar days at their school and incur 10 or more consecutive absences will generate non-fundable ADM intervals. However, 17 students reached the 10% absence threshold and then had over 10 consecutive absences that generated a non-fundable interval, 15 students had enrollment dates reported incorrectly, two students were reported to ADE that did not attend, two students attended but

were not reported and one student had 10 consecutive unexcused absences and should have been withdrawn.

Furthermore, the District also misreported the homebound enrollment of 39 students. According to ARS § 15-901, a homebound student must be certified by a medical doctor as being unable to attend regular classes for a period of not less than three school months during a school year. A homebound student can be counted as in attendance for each day in a week where at least four hours of instruction were provided. However, the District incorrectly reported the 39 students as being homebound without the proper certification or did not provide documentation of at least four hours of weekly instruction.

Finally, the District misreported the school days for 24 preschool students. The calendar reported five days of attendance per week, but the preschool was in session only 4 days per week. This changed the 100th day for these students, which affected the membership days for 24 students.

In the future, the District must ensure it complies with statute and ADE guidelines to properly report FTE, student enrollments, homebound, and preschool calendars.

The District's ADM was overstated by 146.83

Auditors determined that the District did not report the correct ADM due to inaccurate student data reported to ADE for FY2018, FY2019 and FY2020. The student data incorrectly reported by the District resulted in its ADM being overstated by 146.83. Because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. However, A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE's School Finance Unit's Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year.

Recommendations:

1. The District must ensure that it properly calculates and reports student FTE pursuant to statute and ADE guidelines.
2. The District must reconcile to ensure that enrollment data is reported accurately pursuant to A.R.S. § 15-901.

3. The District should ensure that students with excessive absences be properly withdrawn and that excused and unexcused absences be reported correctly.
4. The District should ensure that Preschool calendars and dates are reported accurately pursuant to A.R.S. § 15-901.
5. The District must collect required medical certification documentation and provide education services to homebound student for a minimum of four hours per week for students certified as Homebound pursuant to A.R.S. § 15-901.
6. The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME AOI DATA, RESULTING IN AN UNDERSTATEMENT OF 5.62 ADM

The District did not accurately report enrollment data for 137 of its AOI students to ADE for fiscal years 2018, 2019 and 2020. Specifically, auditors found that 82 students had been reported as part time but were full time, 26 students had been reported as full time but were part time, 15 students attended but were not reported and 14 students were reported to ADE's System with incorrect minutes. As a result, the District's weighted AOI ADM was understated by 5.62.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 137 of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being understated by 5.62 for fiscal years 2018, 2019 and 2020. According to A.R.S. § 15-808, AOI ADM is based on the number of minutes a student participates in the AOI during the year. In addition, SF-0003 states that full time AOI students must enroll in and participate in four or more classes during the year. If a student is enrolled in fewer than four classes, they should be reported as part time. However, the District did not always meet these requirements as follows:

- 82 students were incorrectly reported as part time and should have been reported as full time.
- 26 students were incorrectly reported as full time and should have been reported as part time.
- 15 students attended the District, but were not reported to ADE and did not receive ADM.
- 14 students were reported to ADE's System with incorrect AOI minutes.

As shown in Table 3 (see page 11), AOI data reporting errors resulted in a net weighted ADM understatement of 5.62 for the fiscal years audited.

Table 3

**Scottsdale Unified School District
AOI ADM Adjustments
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
Full time	7.51	(18.62)	(14.25)	(25.36)
Part time	(6.72)	14.22	12.24	19.74
Total	0.79	(4.40)	(2.01)	(5.62)

Source: Auditor analysis of District records and ADE data for FY2018, FY2019 and FY2020.

The District must properly reconcile its enrollment data with ADE data

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE's System. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE and reconcile them to the District's AOI SMS data to identify any discrepancies that would affect funding and budget capacity and correct any errors identified. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

The District's ADM was understated by 5.62

Auditors determined that the District did not report the correct ADM due to inaccurate student data reported to ADE for FY2018, FY2019 and FY2020. The student data incorrectly reported by the District resulted in its ADM being understated by 5.62. Because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. However, A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE's School Finance Unit's Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year.

Recommendations:

1. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.
2. The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

FINDING 3: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

Auditors determined that the District failed to properly maintain residency, birth certificate and immunization documentation for some students as required by statute and ADE guidelines. The District did not properly maintain required documentation in some of its student cumulative files. In the future, the District should properly maintain these documents to ensure compliance with statute and ADE guidelines.

The District did not properly maintain student file documentation

Auditors determined that the District failed to maintain residency documentation for some students as required by statute and ADE guidelines. According to A.R.S. § 15-823 and the ADE Arizona Residency Guideline, school districts and charter schools are required to maintain verifiable documentation of Arizona residency in the student's cumulative file. This documentation must be provided each time a student enrolls in a school district or charter school, and reaffirmed during the annual registration process. The ADE Arizona Residency Guideline identifies an approved list of options a parent or legal guardian may provide to the school district or charter school to meet these requirements.

Auditors also determined that the District failed to maintain birth certificate documentation for some students as required by statute. According to A.R.S. § 15-828, a photocopy of the student's birth certificate or other reliable proof of the student's identity and age must be placed in the student's file.

In addition, auditors determined that the District failed to maintain immunization documentation for some students as required by statute. According to A.R.S. § 15-872, "A pupil shall not be allowed to attend school without submitting documentary proof to the school administrator unless the pupil is exempted from immunization pursuant to section 15-873."

The District did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 300 students sampled, 25 student files did not have the proper residency documentation, 76 student files did not have the residency reaffirmed annually, five student files did not have a birth certificate and nine student files did not have immunization record documentation. Table 4 (see page 13) lists the student file documentation maintained by the District for FY2018, FY2019 and FY2020.

Table 4

**Scottsdale Unified School District
Student cumulative file documentation
Fiscal years 2018, 2019 and 2020**

	Total sampled	Missing residency documentation	Residency not reaffirmed	Missing birth certificate	Missing immunization
2018	100	9	22	1	2
2019	100	7	17	1	5
2020	100	9	37	3	2
Total	300	25	76	5	9

Source: Auditor analysis of District records for FY2018, FY2019 and FY2020.

In the future, the District must ensure that it complies with statute by collecting and maintaining in each student's cumulative file copies of verifiable residency, birth certificate documentation and immunization documentation as required by law.

Recommendation:

1. The District must comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency, birth certificate and immunization documentation as required by law.

ADM ADJUSTMENTS

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during 2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Budget capacity adjustment required—The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

No Basic State Aid adjustment required—Auditors identified an overall ADM adjustment of 141.21 for the three fiscal years audited due to inaccurate student enrollment and AOI data. However, since the District did not receive any basic state aid for any of the three years audited, no financial adjustment is required.

Table 5 lists the ADM adjustments for the District for FY2018, FY2019 and FY2020.

Table 5

**Scottsdale Unified School District
ADM adjustments
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
Inaccurate enrollment data	64.81	31.82	50.20	146.83
AOI	0.79	(4.40)	(2.01)	(5.62)
Total adjustment	65.60	27.42	48.19	141.21

Source: Auditor analysis of ADE and District student and financial data for FY2018, FY2019 and FY2020.