ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

September 24, 2026

Sent via email
Arizona State Board of Education
1700 W. Washington St.
Executive Tower Ste. 300
Phoenix, AZ 85007

Subject: Isaac Elementary School District—Still in Noncompliance with the USFR

Dear Members of the State Board of Education:

In accordance with Arizona Revised Statutes (A.R.S.) §15-271, we are notifying you that Isaac Elementary School District (District) is still in noncompliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR) based on our review of the District's fiscal year (FY) 2025 financial audit reports and USFR Compliance Questionnaire (Questionnaire). Accordingly, we request that the Arizona State Board of Education (State Board) take appropriate action as prescribed in A.R.S. §15-272. As required, we are providing you with a list of the most significant USFR deficiencies we noted in those reports including the District exceeding its Maintenance & Operation (M&O) and Unrestricted Capital Outlay (UCO) Fund budget limits by $1,753,207 and $3,396,855, respectively. The District's FY 2025 UCO Fund overexpenditure further decreased the District's ongoing UCO Fund budget deficit to a balance of $(19,654,606). The District's budgetary overexpenditures, related fund balance deficits, and significant lease liability that it entered to cover operating expenses caused District management to raise substantial doubts about the District's ability to continue as a going concern.

Additionally, the following summarizes our past notifications and State Board action related to the District's continued noncompliance with the USFR:

- July 2024—We notified the District that it had not complied with the USFR based on our review of the significant deficiencies cited in its FY 2023 financial audit reports and Questionnaire. The District had 90 days to correct its deficiencies, but it did not do so.

- December 2024—We notified the State Board that the District was not ready for a status review to determine if it was no longer in noncompliance with the USFR based on assertions in its submitted October 2024 corrective action plan and discussions with District management. We also communicated concerns that the District may have overspent its M&O and UCO Fund budget limits by several million dollars, but the Maricopa County School Superintendent's Office and the Arizona Department of

Education were prevented from determining the overexpenditure amounts based on the District's unreliable and inaccurate FY 2024 annual financial report.

- January 2025—The State Board held a hearing regarding the District's overexpenditures and appointed a receiver.

- July 2025—We notified the State Board that the District was in noncompliance with audit-reporting requirements because it had not submitted its FY 2024 financial audit reports and Questionnaire, which were due on March 31, 2025.

- November 2025—We notified the State Board and the District that it was still in noncompliance with the USFR based on our review of the significant deficiencies cited in its FY 2024 financial audit reports and Questionnaire, which were submitted in October 2025, nearly 6 months late.

Further, we will continue to assist the District as it works to correct its internal control deficiencies. For example, we provided the District with an updated corrective action plan template to document corrective actions taken to comply with the USFR, and we will schedule periodic meetings with District management to discuss the District's implemented and planned corrective actions. When the District can show it has corrected its deficiencies, it should notify my Office and we may perform a status review to determine if the District is no longer in noncompliance with the USFR and we will inform you of the results.

If you have questions concerning the District's noncompliance or our process, please call Meghan Hieger, Director, or Chris Votroubek, Manager, within our Accountability Services Division at (602) 977-2796.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Enclosure: List of Deficiencies

cc: Governing Board
Dr. Lily Mesa-Lema, Superintendent
Jim Serbin, Chief Financial Officer
Isaac Elementary School District
Keith Kenny, Receiver for Isaac Elementary School District
J.S Held, LLC
The Honorable Shelli Boggs, Maricopa County School Superintendent
Sean Ross, Executive Director
Arizona State Board of Education
Art Harding, Chief Operations Officer
Nicole von Prisk, Deputy Associate Superintendent, Grants Management
Arizona Department of Education