

# **RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED  
JUNE 30, 2015**



Issued by:  
Business and Finance Department

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JUNE 30, 2015**

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**FINANCIAL SECTION**

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Private Education in a Public School Setting

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## Independent Auditors' Report

Governing Board of  
Riverside Elementary School District No. 2  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Riverside Elementary School District No. 2, (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Elementary School District No. 2, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in note 2 to the financial statements, Riverside Elementary School District No. 2 adopted new accounting guidance of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, the budgetary comparison information beginning on page 53, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 56, and the Schedule of District Pension Contributions on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Elementary School District No. 2's basic financial statements. The General Fund combining schedule, Maintenance and Operation Fund, Debt Service Fund and Bond Building Fund budgetary schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund combining schedule, Maintenance and Operation Fund, Debt Service Fund and Bond Building Fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Combining Statement and the Budgetary Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2016, on our consideration of Riverside Elementary School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Riverside Elementary School District No. 2's internal control over financial reporting and compliance.



**Dobridge & Company, P.C.**

Mesa, Arizona

January 31, 2016



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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

As management of Riverside Elementary School District No. 2, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year June 30, 2015, were as follows:

- As of June 30, 2015, the District's total net position was \$25.4 million. This is an increase of \$1.9 million, or 8.1 percent, from fiscal year 2013-14.
- District-wide general revenues of \$11.8 million accounted for 82.6 percent of all fiscal year 2014-15 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2.5 million, or 17.4 percent, of total fiscal year 2014-15 revenues.
- District-wide expenses decreased \$1.1 million, or 7.8 percent, from \$13.5 million in fiscal year 2013-14 to \$12.4 million in fiscal year 2014-15.
- The District had \$12.4 million in expenses related to governmental activities; of which \$2.5 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$11.8 million were adequate to provide support for the remaining \$9.9 million costs of these programs.
- In fiscal year 2014-15, the General Fund reported \$5.3 million in revenues and \$5.3 million in expenditures. The revenues consisted primarily of \$5.0 million in property taxes. The General Fund's fund balance increased \$69,292, or 23.9 percent, from \$289,854, as of June 30, 2014, to \$359,146, as of June 30, 2015.
- During fiscal year 2014-15, the District made bond principal payments of \$4.7 million and bond interest payments of \$1.3 million. As of June 30, 2015, the District had \$32.4 million in outstanding bond principal and \$9.4 million in interest that are due through the fiscal year 2030-31. For additional information see financial statement note 11.
- In fiscal year 2014-15, the District issued \$4.6 million in School Improvement Bonds. For further information regarding new bonds, see financial statement note 11.
- The District adopted new accounting guidance of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. For more information see financial statement notes 2 and 14.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual financial report contains, in addition to this Management Discussion and Analysis, the District's basic financial statements and supplementary information. These three sections together provide a comprehensive overview of the District's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- *District-wide financial statements*, which consist of the *Statement of Net Position* and the *Statement of Activities*, provide both short-term and long-term information about the District's overall financial position.
- *Fund financial statements*, which report on the individual funds of the District, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

Notes to the financial statements, which are included just following the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including comparisons of the District's budget to actual revenues and expenditures for the year.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation services, operation of non-instructional services, and interest on long-term debt.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and district-wide governmental activities.

Information is presented separately in both the governmental funds' *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund and Debt Service Fund. Information from the other governmental funds are combined into a single, aggregated presentation.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A *Budgetary Comparison Schedule* has been provided for the General Fund starting on page 53.

### **DISTRICT-WIDE FINANCIAL ANALYSIS**

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25.4 million as of June 30, 2015.

By far the largest portion of the District's net position, \$23.9 million reflects its investment in capital assets (e.g., land, buildings, other improvements, and vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, \$403,263 of net position is restricted for debt service payments of bond principal and interest, \$16.4 million of net position is restricted by statute for the specified purpose of capital outlay, and \$293,056 of net position is restricted by state legislation for voter approved initiatives and food service. The remaining deficit portion of net position, \$15.6 million, is considered unrestricted.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

The following table presents a two-year comparison of the District's net position for the fiscal years ended June 30, 2015 and 2014.

**SUMMARY OF STATEMENT OF NET POSITION**

	As of June 30, 2015	(As restated) As of June 30, 2014	Change	Percent Change
<b>ASSETS</b>				
Current assets	\$ 24,480,581	\$ 23,823,356	\$ 657,225	2.8 %
Capital assets	<u>41,991,029</u>	<u>40,167,073</u>	<u>1,823,956</u>	<u>4.5 %</u>
<b>Total assets</b>	<u>66,471,610</u>	<u>63,990,429</u>	<u>2,481,181</u>	<u>3.9 %</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	453,538	503,983	(50,445)	(10.0)%
Deferred outflows related to pensions	<u>788,281</u>	<u>403,534</u>	<u>384,747</u>	<u>95.3 %</u>
<b>Total deferred outflows of resources</b>	<u>1,241,819</u>	<u>907,517</u>	<u>(334,302)</u>	<u>(36.8)%</u>
<b>LIABILITIES</b>				
Current liabilities	1,654,876	978,777	676,099	69.1 %
Noncurrent liabilities	<u>39,533,235</u>	<u>40,438,314</u>	<u>(905,079)</u>	<u>(2.2)%</u>
<b>Total liabilities</b>	<u>41,188,111</u>	<u>41,417,091</u>	<u>(228,980)</u>	<u>(0.6)%</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to pensions	1,132,954	-	1,132,954	100.0 %
<b>NET POSITION</b>				
Net investment in capital assets	23,908,182	7,637,073	16,271,109	213.1 %
Restricted	17,123,942	17,833,274	(709,332)	(4.0)%
Unrestricted (deficit)	<u>(15,639,760)</u>	<u>(1,989,492)</u>	<u>13,650,268</u>	<u>686.1 %</u>
<b>Total net position</b>	<u>\$ 25,392,364</u>	<u>\$ 23,480,855</u>	<u>\$ 1,911,509</u>	<u>8.1 %</u>

The following are significant current year transactions that have had an impact on the *Statement of Net Position*:

- The increase of \$657,225 in current assets was primarily due to the increase of cash in various funds.
- The District had \$3.8 million in additions to capital assets that were offset by depreciation expense of \$2.0 million, resulting in an overall increase in capital assets of \$1.8 million.
- The increase of \$676,099 in current liabilities was primarily due to the construction contract payable balance of \$452,972.
- The decrease of \$905,079 in noncurrent liabilities was primarily due to a decrease in net pension liability of \$836,424. For additional information, see financial statement note 14.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**Changes in net position.** The District's total revenues for the fiscal year ended June 30, 2015, were \$14.3 million. The total cost of all programs and services was \$12.4 million. The following table presents a two-year comparison of the changes in net position for the fiscal years ended June 30, 2015 and 2014.

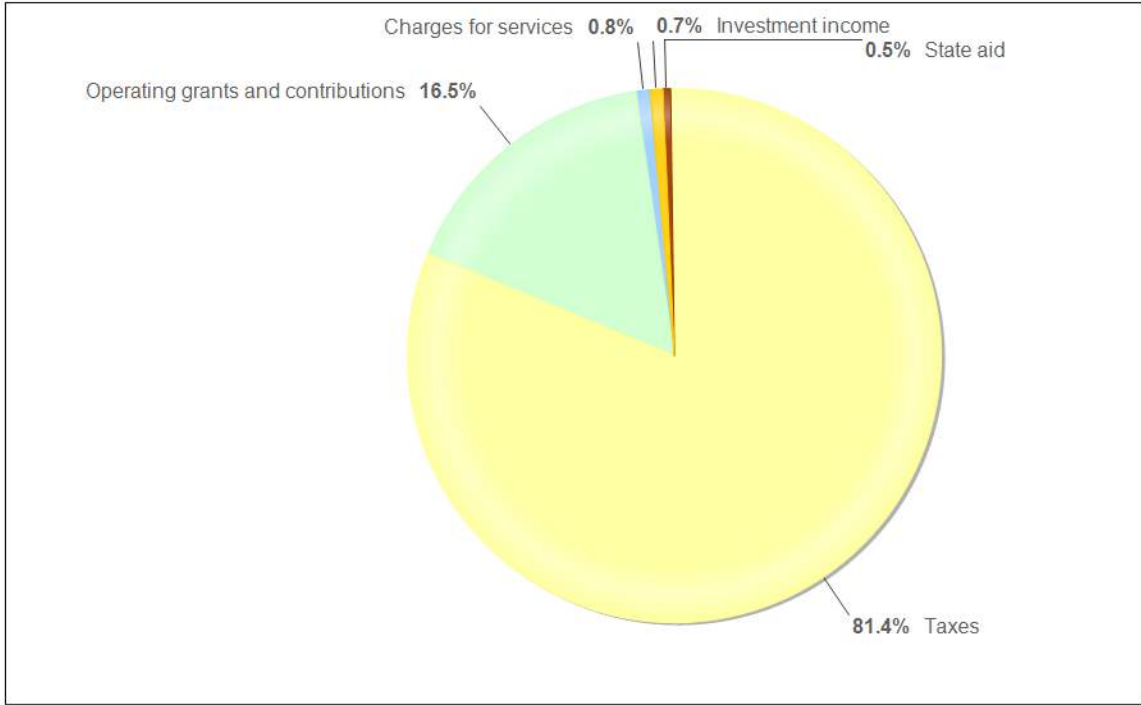
**SUMMARY OF CHANGES IN NET POSITION**

	Fiscal Year Ended <u>June 30, 2015</u>	Fiscal Year Ended <u>June 30, 2014</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 121,210	\$ 39,994	\$ 81,216	203.1 %
Operating grants and contributions	2,367,964	2,561,522	(193,558)	(7.6)%
General revenues:				
Taxes	11,672,853	10,924,817	748,036	6.8 %
State aid	73,796	61,155	12,641	20.7 %
Investment income	100,612	67,109	33,503	49.9 %
Miscellaneous	<u>-</u>	<u>128,937</u>	<u>(128,937)</u>	<u>(100.0)%</u>
<b>Total revenues</b>	<u>14,336,435</u>	<u>13,783,534</u>	<u>552,901</u>	<u>4.0 %</u>
<b>Expenses:</b>				
Instruction	5,653,347	6,148,377	(495,030)	(8.1)%
Support services - students and staff	1,154,461	992,602	161,859	16.3 %
Support services - administration	2,119,459	2,120,256	(797)	- %
Operation and maintenance of plant	1,145,606	1,789,702	(644,096)	(36.0)%
Student transportation services	452,739	593,613	(140,874)	(23.7)%
Operation of non-instructional services	669,211	673,253	(4,042)	(0.6)%
Interest on long-term debt	<u>1,230,103</u>	<u>1,165,043</u>	<u>65,060</u>	<u>5.6 %</u>
<b>Total expenses</b>	<u>12,424,926</u>	<u>13,482,846</u>	<u>(1,057,920)</u>	<u>(7.8)%</u>
<b>Change in net position</b>	1,911,509	300,688	1,610,821	535.7 %
<b>Beginning net position, as restated</b>	<u>23,480,855</u>	<u>23,180,167</u>	<u>300,688</u>	<u>1.3 %</u>
<b>Ending net position</b>	<u>\$ 25,392,364</u>	<u>\$ 23,480,855</u>	<u>\$ 1,911,509</u>	<u>8.1 %</u>

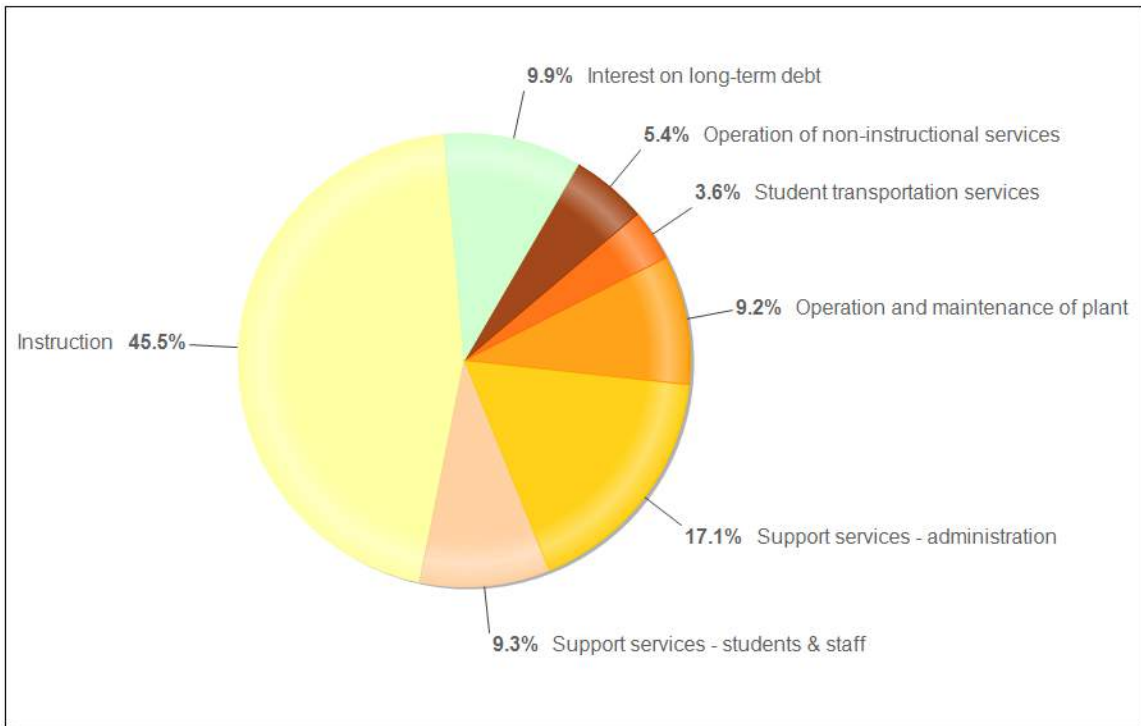
Overall District-wide revenues increased \$552,901, or 4.0 percent, while expenses decreased \$1.1 million, or 7.8 percent, resulting in an increase in net position of \$1.9 million, or 8.1 percent.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**District-Wide Revenues**  
FY 2014-15



**District-Wide Expenses**  
FY 2014-15

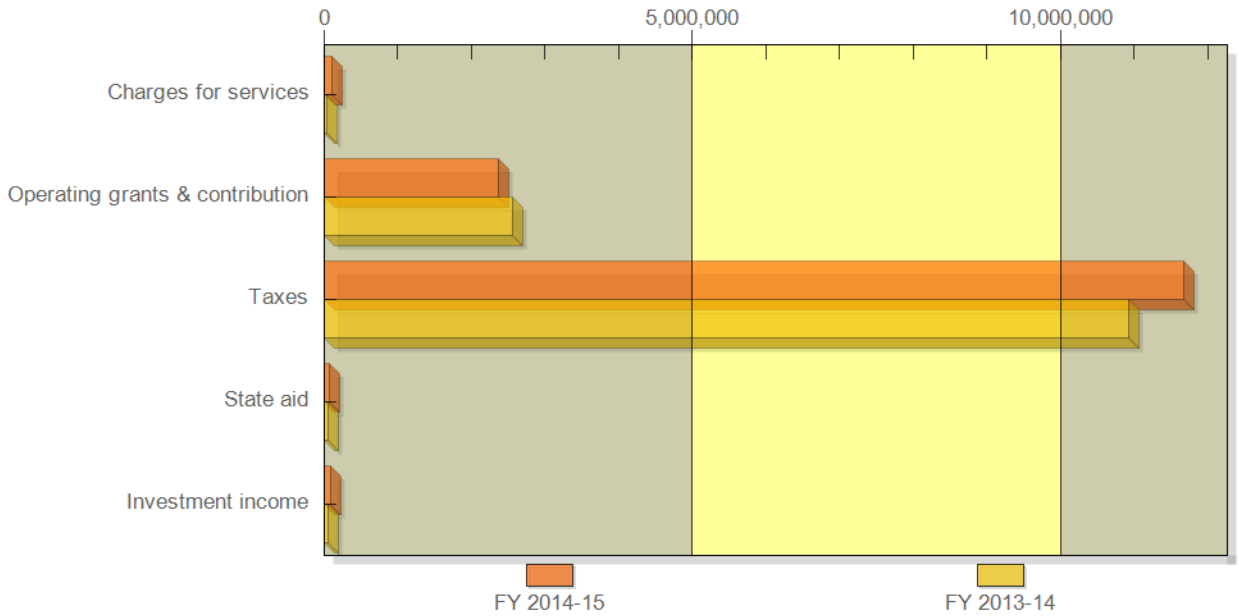




**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

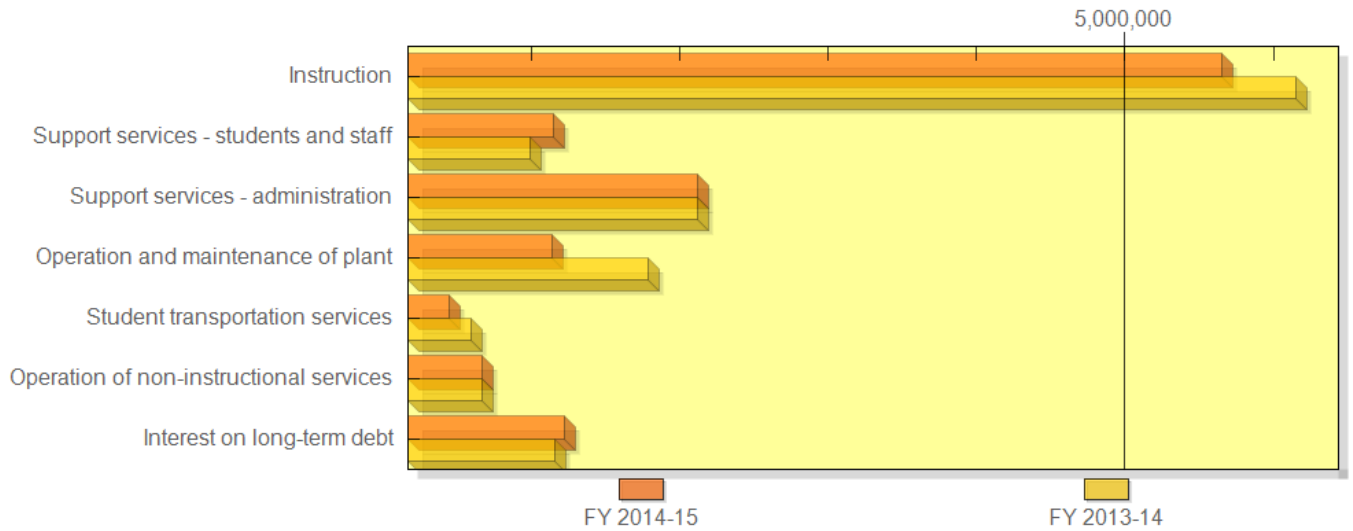
**District-Wide Revenues**

2 Year Comparison



**District-Wide Expenses**

2 Year Comparison



**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**Governmental Activities.** The *Statement of Activities* on page 19 shows the cost of program services and the charges for services and grants offsetting those services. The following table displays information from the *Statement of Activities* governmental activities and compares the net cost of services from one year to the next. The net cost of services decreased by \$945,578 due to expenses reported in the *Statement of Activities* decreasing \$1.1 million, while program revenues decreased only \$112,342.

**NET COST OF SERVICES**

<b><u>Expense Function</u></b>	Net (Expenses) Revenue	Net (Expenses) Revenues	<b><u>Change</u></b>	<b><u>Percent Change</u></b>
	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>		
Instruction	\$ (4,515,067)	\$ (4,773,366)	\$ 258,299	(5.4)%
Support services - students and staff	(782,121)	(667,741)	(114,380)	17.1 %
Support services - administration	(2,018,098)	(2,032,646)	14,548	(0.7)%
Operation and maintenance of plant	(1,115,519)	(1,789,702)	674,183	(37.7)%
Student transportation services	(452,739)	(502,096)	49,357	(9.8)%
Operation of non-instructional services	177,895	49,264	128,631	(261.1)%
Interest on long-term debt	<u>(1,230,103)</u>	<u>(1,165,043)</u>	<u>(65,060)</u>	<u>5.6 %</u>
Total	<u>\$ (9,935,752)</u>	<u>\$ (10,881,330)</u>	<u>\$ 945,578</u>	<u>(8.7)%</u>

The program expense categories shown above are summarized below:

- *Instruction* expenses are the cost of activities directly dealing with the teaching of students and the interaction between teacher and student.
- *Support services - students and staff* expenses include the cost of activities involved with assisting staff with the content and process of teaching to students.
- *Support services - administration* expenses are associated with the cost of administrative and financial supervision of the District.
- *Operation and maintenance of plant* expenses involve keeping the school grounds, buildings and equipment in good working condition.
- *Student transportation services* expenses involves the conveying of students to and from school as provided by state law. This includes trips between home and school and trips to school activities.
- *Operation of non-instructional services* expenses are primarily the cost of food service operations.
- *Interest on long-term debt* expenses are for the payment of interest on bonds issued by the District and lease-purchase agreement.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$17.5 million, a decrease of \$598,759, or 3.3 percent.

The fund balances consisted of the following: \$17.1 million, or 98.4 percent, is considered restricted. \$275,863, or 1.6, percent of total governmental funds' fund balances are considered unassigned.

The following table provides analysis of the District's major and non-major fund balances and the total change in fund balances from the prior year.

**GOVERNMENTAL FUND BALANCES**

<b>Fund</b>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 359,146	\$ 289,854	\$ 69,292	23.9 %
Debt Service Fund	403,263	709,828	(306,565)	(43.2)%
Bond Building Fund	14,347,153	14,327,887	19,266	0.1 %
Other Governmental Funds	<u>2,353,401</u>	<u>2,734,153</u>	<u>(380,752)</u>	<u>(13.9)%</u>
Total	<u>\$ 17,462,963</u>	<u>\$ 18,061,722</u>	<u>\$ (598,759)</u>	<u>(3.3)%</u>

The following are significant current year transactions that have had an impact on the Governmental Funds' fund balances:

- The General Fund's fund balance increased \$69,292, or 23.9 percent, primarily due to an increase of property taxes collected during the current year.
- The Debt Service Fund's fund balance decreased \$306,565, or 43.2 percent, due to fluctuations based on principal and interest payments.
- The Bond Building Fund's fund balance increased only \$19,266, or 0.1 percent, primarily due to the issuance of new bonds and payments of existing bonds. For more information see financial statement note 11.
- The Other Governmental Funds' fund balances overall decrease of \$380,752, or 13.9 percent, was primarily due to an increase in expenditures over revenues during the current year.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**MAINTENANCE AND OPERATION FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared according to Arizona law and is based on the modified accrual basis of accounting. The Maintenance and Operation Fund Budgetary Comparison Schedule is supplementary information and is presented on page 61. The adopted and final budget amounts as well as the variances between the final budget and the actual expenditures incurred are presented.

Over the course of the year, the District revised the Maintenance and Operation Fund annual expenditure budget for reclassification of salaries across functional categories. The final budgeted expenditures increased only \$103,451, or 2.1 percent, from the adopted budget.

The actual amounts expended in the Maintenance and Operation Fund were \$164,998, or 3.2 percent, less than the final budget. This was primarily due to the District budgetary planning to carry forward funds to the next year in case of a reduction in state funding were to occur.

**MAINTENANCE AND OPERATION FUND - BUDGET TO ACTUAL**

<u>Expenditures</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>	<u>Percent Variance</u>
Regular education	\$ 3,892,275	\$ 3,682,160	\$ 210,115	5.4 %
Special education	802,117	903,094	(100,977)	(12.6)%
Student transportation services	340,534	284,674	55,860	16.4 %
K-3 reading program	46,707	46,707	-	- %
Total	<u>\$ 5,081,633</u>	<u>\$ 4,916,635</u>	<u>\$ 164,998</u>	<u>3.2 %</u>

**CAPITAL ASSETS**

As of June 30, 2015, the District had invested \$42.0 million in capital assets (net of accumulated depreciation), including school buildings, athletic facilities, buses and other vehicles, computers and other equipment. Total depreciation expense for the year was \$2.0 million.

The following schedule presents a two-year comparison of the capital asset balances for the fiscal years ended June 30, 2015 and 2014.

<u>Governmental activities</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 2,855,758	\$ 2,855,758	\$ -	- %
Construction in progress	2,167,539	108,532	2,059,007	1,897.1 %
Buildings and improvements	38,821,385	38,280,482	540,903	1.4 %
Other improvements	6,690,717	6,136,377	554,340	9.0 %
Vehicles, furniture and equipment	5,640,366	5,020,004	620,362	12.4 %
Total	<u>56,175,765</u>	<u>52,401,153</u>	<u>3,774,612</u>	<u>7.2 %</u>
Less: Accumulated depreciation	<u>(14,184,736)</u>	<u>(12,234,080)</u>	<u>(1,950,656)</u>	<u>15.9 %</u>
Capital assets, net	<u>\$ 41,991,029</u>	<u>\$ 40,167,073</u>	<u>\$ 1,823,956</u>	<u>4.5 %</u>

The increase in capital assets of \$1.8 million, or 4.5 percent, was due to depreciation expense of \$2.0 million being less than the net capital additions of \$3.8 million. Additional information on the District's capital assets can be found in financial statement note 8.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

**LONG-TERM DEBT**

The District reported \$39.5 million in long-term debt for the year ended June 30, 2015.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	<u>Percent Change</u>
Bonds payable	\$ 32,430,000	\$ 32,530,000	\$ (100,000)	(0.3)%
Discount on bonds	(28,978)	(31,048)	2,070	(6.7)%
Premium on bonds	738,811	688,200	50,611	7.4 %
Compensated absences	202,890	224,226	(21,336)	(9.5)%
Net pension liability	<u>6,190,512</u>	<u>7,026,936</u>	<u>(836,424)</u>	<u>(11.9)%</u>
Total	<u>\$ 39,533,235</u>	<u>\$ 40,438,314</u>	<u>\$ (905,079)</u>	<u>(2.2)%</u>

The District had the following significant transactions regarding long-term debt:

- The increase in bonds payable was due the issuance of \$4.6 million in School Improvement Bonds offset by a bond principal payment of \$4.7 million. For additional information see financial statement note 11.
- The increase in the premium on bonds was due to the premium associated with the current year bond issuance being offset by the amortization of the bonds.
- The decrease in compensated absences of \$21,336 was due to the use of accumulated leave balances and the payment of leave to vested employees that terminated with the District during the fiscal year. For more information on compensated absences see financial statement note 1.N.
- The net pension liability decreased \$836,424 due to deferred inflows of resources related to pensions exceeding pension expenses and deferred outflows of resources related to pensions during the fiscal year. For more information on net pension liability see financial statement note 14.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many factors were considered by the District's administration during the process of developing the budget for the next fiscal year (fiscal year 2015-16). The primary factors considered in developing fiscal year 2015-16's budget were the District's student population and employee salaries. Also considered in the development of the budget is the local economy and inflation of the surrounding area.

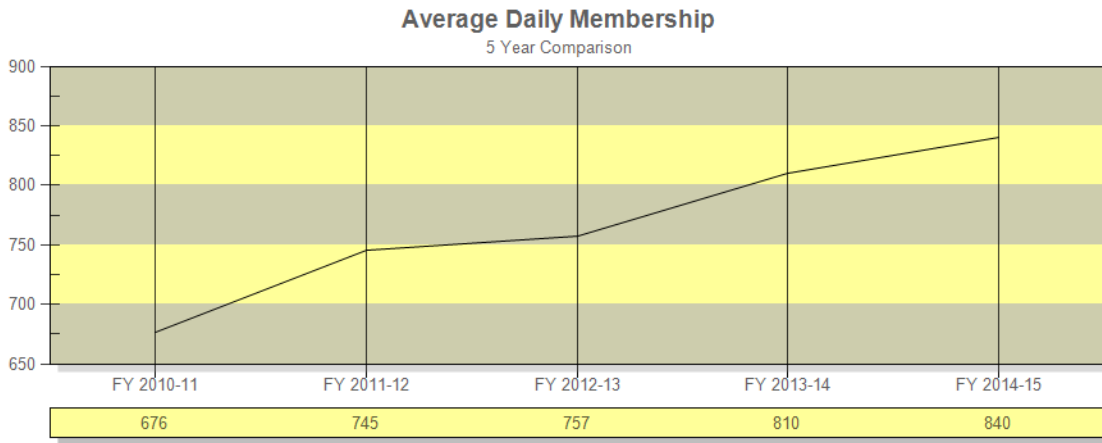
The following table presents a comparison with the Maintenance and Operation Fund's final budget for this fiscal year (fiscal year 2014-15) and the adopted budget for next fiscal year (fiscal year 2015-16).

General Fund: <u>Expenditures</u>	<u>Final Budget FY 2014-15</u>	<u>Adopted Budget FY 2015-16</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Regular education	\$ 3,892,275	\$ 4,180,901	\$ 288,626	7.4 %
Special education	802,117	747,604	(54,513)	(6.8)%
Student transportation services	340,534	357,534	17,000	5.0 %
K-3 reading program	<u>46,707</u>	<u>46,707</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 5,081,633</u>	<u>\$ 5,332,746</u>	<u>\$ 251,113</u>	<u>4.9 %</u>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2015**

Amounts available in the Maintenance and Operation Fund's fiscal year 2015-16's budget are \$5.3 million, an increase of \$251,113, or 4.9 percent, which are relatively the same as the prior year. Property taxes and state aid are expected to be the primary funding source of the expenditures for fiscal year 2015-16.

The District's attendance has seen growth over the past five years. Average daily membership (ADM) has grown from 676 ADM in fiscal year 2010-11 to 840 ADM in fiscal year 2014-15, an increase of 164 or 24.3% percent. The District expects attendance to level out and remain in the same range or with moderate increases for the next several years.



**100 Day Count**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business Department, Riverside Elementary School District No. 2, 1414 S. 51st Ave., Phoenix, Arizona 85043.

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**DISTRICT-WIDE  
FINANCIAL STATEMENTS**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 17,896,901
Cash held by paying agent	5,913,496
Accounts receivable	18,108
Property taxes receivable	141,750
Due from other governments	510,326
Capital assets, not being depreciated	5,023,297
Capital assets, being depreciated, net	<u>36,967,732</u>
<b>Total assets</b>	<u>66,471,610</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	453,538
Deferred outflows related to pensions	<u>788,281</u>
<b>Total deferred outflows of resources</b>	<u>1,241,819</u>
<b>LIABILITIES</b>	
Accounts payable	306,086
Accrued payroll and employee benefits	130,267
Advances from government grants	98,679
Due to other governments	3,376
Construction contracts payable	452,972
Interest payable	663,496
Noncurrent liabilities:	
Due within one year	5,898,045
Due in more than one year	<u>33,635,190</u>
<b>Total liabilities</b>	<u>41,188,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,132,954
<b>NET POSITION</b>	
Net investment in capital assets	23,908,182
Restricted for:	
Debt service	403,263
Capital expenditures	16,427,623
Voter approved initiatives	175,006
Food service	118,050
Unrestricted (deficit)	<u>(15,639,760)</u>
<b>Total net position</b>	<u>\$ 25,392,364</u>

The accompanying notes are an integral part of these statements.



**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

<b>Functions/Programs</b>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 5,653,347	\$ -	\$ 1,138,280	\$ (4,515,067)
Support services - students and staff	1,154,461	-	372,340	(782,121)
Support services - administration	2,119,459	-	101,361	(2,018,098)
Operation and maintenance of plant	1,145,606	-	30,087	(1,115,519)
Student transportation services	452,739	-	-	(452,739)
Operation of non-instructional services	669,211	121,210	725,896	177,895
Interest on long-term debt	1,230,103	-	-	(1,230,103)
Total governmental activities	\$ 12,424,926	\$ 121,210	\$ 2,367,964	(9,935,752)

General revenues:

Property taxes:

General purposes	5,065,599
Debt service	5,912,853
Capital outlay	570,327
Revenue in lieu of taxes - SRP	124,074

State aid:

General purposes	41,861
Instructional improvement	31,935
Investment earnings	100,612

Total general revenues 11,847,261

Change in net position 1,911,509

Net position, as restated, July 1, 2014 23,480,855

Net position, June 30, 2015 \$ 25,392,364

The accompanying notes are an integral part of these statements.

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**FUND BASED  
FINANCIAL STATEMENTS**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Bond Building Fund</u>
<b>ASSETS</b>			
Cash and investments	\$ 272,690	\$ 388,765	\$ 14,944,242
Cash held by paying agent	-	5,913,496	-
Accounts receivable	11,998	-	-
Property taxes receivable	74,294	59,138	-
Due from other governments	<u>171,986</u>	<u>-</u>	<u>36,450</u>
<b>Total assets</b>	<b><u>\$ 530,968</u></b>	<b><u>\$ 6,361,399</u></b>	<b><u>\$ 14,980,692</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 29,180	\$ -	\$ 273,068
Accrued payroll and benefits	77,443	-	3,106
Advances from government grants	-	-	-
Due to other governments	3,376	-	-
Construction contracts payable	-	-	357,365
Interest payable	-	663,496	-
Bonds payable	<u>-</u>	<u>5,250,000</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>109,999</u></b>	<b><u>5,913,496</u></b>	<b><u>633,539</u></b>
<b>Deferred inflows of resources:</b>			
Unavailable - property tax	<u>61,823</u>	<u>44,640</u>	<u>-</u>
<b>Total liabilities and deferred inflows of resources</b>	<b><u>171,822</u></b>	<b><u>5,958,136</u></b>	<b><u>633,539</u></b>
<b>Fund balances:</b>			
Restricted:			
Debt service	-	403,263	-
Capital expenditures	-	-	14,347,153
Voter approved initiatives	-	-	-
Food service	-	-	-
Other purposes	-	-	-
Unassigned	<u>359,146</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<b><u>359,146</u></b>	<b><u>403,263</u></b>	<b><u>14,347,153</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 530,968</u></b>	<b><u>\$ 6,361,399</u></b>	<b><u>\$ 14,980,692</u></b>

Other Governmental Funds	Total Governmental Funds
\$ 2,291,204	\$ 17,896,901
-	5,913,496
6,110	18,108
8,318	141,750
<u>301,890</u>	<u>510,326</u>
<u>\$ 2,607,522</u>	<u>\$ 24,480,581</u>

\$ 3,838	\$ 306,086
49,718	130,267
98,679	98,679
-	3,376
95,607	452,972
-	663,496
-	<u>5,250,000</u>
<u>247,842</u>	<u>6,904,876</u>

<u>6,279</u>	<u>112,742</u>
<u>254,121</u>	<u>7,017,618</u>

-	403,263
2,080,470	16,427,623
175,006	175,006
118,050	118,050
63,158	63,158
<u>(83,283)</u>	<u>275,863</u>
<u>2,353,401</u>	<u>17,462,963</u>
<u>\$ 2,607,522</u>	<u>\$ 24,480,581</u>

The accompanying notes are an integral part of these statements.

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

<b>Fund balances - total governmental funds</b>		<b>\$ 17,462,963</b>
<p>Amounts reported on governmental activities in the <i>Statement of Net Position</i> are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,991,029
Property tax revenues in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the funds.		112,742
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	788,281	
Deferred inflows of resources related to pensions	<u>(1,132,954)</u>	(344,673)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Bonds payable	(27,180,000)	
Unamortized discount	28,978	
Unamortized premiums	(738,811)	
Deferred amount on refunding	453,538	
Compensated absences	(202,890)	
Net pension liability	<u>(6,190,512)</u>	<u>(33,829,697)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 25,392,364</u></b>

The accompanying notes are an integral part of these statements.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Debt Service Fund	Bond Building Fund
<b>Revenues:</b>			
Property taxes	\$ 5,047,118	\$ 5,930,017	\$ -
Other local revenue	92,235	151,875	-
State aid and grants	41,861	-	-
Federal aid and grants	117,679	-	-
<b>Total revenues</b>	<u>5,298,893</u>	<u>6,081,892</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
Instruction	2,202,003	-	774,819
Support services - students and staff	582,809	-	113,641
Support services - administration	1,315,018	-	333,577
Operation and maintenance of plant	887,477	-	81,658
Student transportation services	293,350	-	6,118
Operation of non-instructional	4,175	-	4,498
Capital outlay	-	-	3,242,903
Debt service:			
Principal	-	5,250,000	-
Interest	-	1,329,042	-
<b>Total expenditures</b>	<u>5,284,832</u>	<u>6,579,042</u>	<u>4,557,214</u>
Excess (deficiency) of revenues over expenditures	<u>14,061</u>	<u>(497,150)</u>	<u>(4,557,214)</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of bonds	-	-	4,565,000
Premium on sale of bonds	-	190,585	11,480
Transfers in	55,231	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>55,231</u>	<u>190,585</u>	<u>4,576,480</u>
<b>Net change in fund balances</b>	69,292	(306,565)	19,266
<b>Fund balances, July 1, 2014</b>	<u>289,854</u>	<u>709,828</u>	<u>14,327,887</u>
<b>Fund balances, June 30, 2015</b>	<u>\$ 359,146</u>	<u>\$ 403,263</u>	<u>\$ 14,347,153</u>

The accompanying notes are an integral part of these statements.



Other Governmental Funds	Total Governmental Funds
\$ 576,759	\$ 11,553,894
157,802	401,912
744,708	786,569
<u>1,481,496</u>	<u>1,599,175</u>
<u>2,960,765</u>	<u>14,341,550</u>
1,468,962	4,445,784
386,609	1,083,059
137,378	1,785,973
33,660	1,002,795
34,478	333,946
693,490	702,163
531,709	3,774,612
-	5,250,000
<u>-</u>	<u>1,329,042</u>
<u>3,286,286</u>	<u>19,707,374</u>
<u>(325,521)</u>	<u>(5,365,824)</u>
-	4,565,000
-	202,065
-	55,231
<u>(55,231)</u>	<u>(55,231)</u>
<u>(55,231)</u>	<u>4,767,065</u>
(380,752)	(598,759)
<u>2,734,153</u>	<u>18,061,722</u>
<u>\$ 2,353,401</u>	<u>\$ 17,462,963</u>

The accompanying notes are an integral part of these statements.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ (598,759)</b>
Amounts reported in the governmental activities in the <i>Statement of Activities</i> are different because:		
Governmental funds report capital outlays as expenditures. However, in the <i>Statement of Activities</i> the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the <i>Statement of Activities</i> .		
Capital outlay	\$ 3,774,612	
Less current year depreciation	<u>(1,950,656)</u>	1,823,956
Revenues in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property taxes prior year	\$ (117,857)	
Property taxes current year	<u>112,742</u>	(5,115)
Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the <i>Statement of Activities</i> .		
Issuance of bonds	\$ (4,565,000)	
Bond premium issuance	<u>(202,065)</u>	(4,767,065)
Repayment of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the <i>Statement of Net Position</i> .		
Bond principal	\$ 5,250,000	
Amortization of deferred refunding	(50,445)	
Amortization of premium	151,454	
Amortization of discount	<u>(2,070)</u>	5,348,939
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the <i>Statement of Net Position</i> because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the <i>Statement of Activities</i> .		
District pension contribution	\$ 473,661	
Pension expense	<u>(385,444)</u>	88,217
Some expenses reported on the <i>Statement of Activities</i> do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		<u>21,336</u>
<b>Change in net position of governmental activities</b>		<b>\$ <u>1,911,509</u></b>

The accompanying notes are an integral part of these statements.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2015**

		Agency Funds		
	Student Activities	Employee Insurance Program Withholdings	Total	
<b>ASSETS</b>				
Cash and investments	\$ 6,259	\$ 264,743	\$ 271,002	
<b>Total assets</b>	<b>\$ 6,259</b>	<b>\$ 264,743</b>	<b>\$ 271,002</b>	
 <b>LIABILITIES</b>				
Due to student groups	\$ 6,259	\$ -	\$ 6,259	
Deposits held for others	<u>-</u>	<u>264,743</u>	<u>264,743</u>	
<b>Total liabilities</b>	<b>\$ 6,259</b>	<b>\$ 264,743</b>	<b>\$ 271,002</b>	

The accompanying notes are an integral part of these statements.

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Riverside Elementary School District No. 2 (the District) accounts for its financial transactions in accordance with the policies and procedures of the Arizona Department of Education's *Uniform School Financial Reporting Manual*. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 69, *Government Combinations and Disposals of Governmental Operations*. GASB Statement No's. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

**A. Financial Reporting Entity**

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Although the County Treasurer collects taxes for the District, it exercises no control over its expenditures/expenses.

The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The membership of the Governing Board consists of three members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The District's major operations include education, student transportation, food service, and maintenance and construction of District facilities.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, §2100 and §2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Accordingly, for the year ended June 30, 2015, the District does not have any component units and is not a component unit of any other reporting entity.

Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges to external users for support. The District does not have any business-type activities.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation**

The basic financial statements include both district-wide financial statements and governmental fund financial statements. The district-wide financial statements focus on the District as a whole, while the governmental fund financial statements focus on fund reporting. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**District-wide Financial Statements** - District-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. The approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for the governmental funds.

District-wide financial statements include a *Statement of Net Position* and a *Statement of Activities*. These statements report the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of the interfund activities.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state aid, and investment earnings are revenues that are not classified as program revenues and are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** - Governmental fund financial statements separately report detailed information about the District in the governmental and fiduciary funds even though the fiduciary funds are excluded from the district-wide financial statements. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Other governmental funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of district-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District's accounts are organized into major governmental, other governmental and fiduciary funds as follows:

**Major Governmental Funds:**

**General Fund** - to account for all resources used to finance District operations except those required to be accounted for in other funds. The General Fund as presented includes the District's Maintenance and Operation Fund and other revenue funds that do not have a substantial restriction on expenditures. For further information see the General Fund Combining Schedule on page 64.

**Debt Service Fund** - to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Bond Building Fund** - to account for monies received from District bond issues that are used to acquire sites, construct or renovate school buildings, supply school buildings with furniture and equipment, improve school grounds and purchase pupil transportation vehicles.

**Other Governmental Funds:**

**Special Revenue Funds** - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains nineteen other governmental special revenue funds.

**Capital Project Funds** - to account for the acquisition and construction of all major governmental capital assets. The District maintains two other governmental capital project funds.

**Fiduciary Funds:**

**Agency Funds** - to account for assets of others for which the District acts as an agent. The District maintains two agency funds to account for student club activities and employee withholdings. The Student Activities Fund accounts for monies raised by students to finance student clubs, and the Employee Insurance Program Withholdings Fund accounts for unremitted payroll deductions for employee insurance, retirement benefits and tax withholdings temporarily held by the District.

**C. Measurement Focus and Basis of Accounting**

**District-wide Financial Statements** - The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund financial statements are also reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the district-wide financial statements.

**Fund Financial Statements** - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Expenses and Expenditures**

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Bond payments due July 1, 2015, were accrued as resources from the current year were used for the payments. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Advances From Grantors**

Advances from grantors arise when assets are received before revenue recognition criteria have been satisfied. Advances from grantors generally comprise of federal and state entitlement revenues received before eligibility requirements are met.

**F. Revenue in Lieu of Taxes - SRP**

Payments received from the Salt River Project in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation on the same basis as privately owned property. Such revenue would include payments made for privately owned property that is not subject to taxation on the same basis as other privately owned property because of action by the local governmental unit.

**G. Cash and Investments**

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled by the County Treasurer for investment purposes. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances.

All investments are stated at fair value. For additional information regarding investments see financial statement note 5.

**H. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**I. Investment Income**

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements.



**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the *Statement of Activities*. Interfund transfers in the fund financial statements are reported as other financing sources and uses in governmental funds.

**K. Deferred Outflows and Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods. In addition, delinquent property taxes that will not be collected within the 60 day availability period are reported as deferred inflows of resources in the governmental fund financial statements.

**L. Property Taxes**

Property tax levies are obtained by applying tax rates against either the primary assessed valuation or the secondary assessed valuation. Primary and secondary valuation categories are composed of the exact same properties. However, the primary category limits the increase in property values to 10 percent from the previous year, while there is no limit to the increase in property values for secondary valuation. Override and debt service tax rates are applied to secondary assessed valuation and all other tax rates are applied to the primary assessed valuation.

The county levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

The county also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

Property tax receivables are reported at full value as they are considered 100 percent collectible due to the county attaching a lien against all amounts past due as noted above.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Capital Assets**

Capital assets, which include land, construction in progress, other improvements, buildings and improvements, and vehicles, furniture, and equipment are reported in the district-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000 for all assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Other improvements	5 - 40 years
Vehicles, furniture and equipment	5 - 15 years

**N. Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Generally, sick leave benefits provide for ordinary sick pay and are cumulative for those employees with over ten years of continuous service and give the District 15 month's notice prior to retirement. Employees may accumulate up to maximum of 180 sick days. Support staff can earn between 10 days and 20 days of vacation based on years of service. Support staff vacation days must be used within an 11-month period after the school year in which it is earned or it shall be forfeited. 12-month administrative/supervisory personnel earn 20 days of vacation annually. A maximum of 40 days can be accumulated that can be paid out upon employee's termination of employment with the District. The noncurrent compensated absences liability consists of the estimated amounts due within one year and the amounts due after one year, including related benefits, for accumulated sick leave and vacation are reported on the district-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**O. Federal Revenue Sources**

The District receives federal awards for the enhancement of various educational programs. Federal awards generally received based on applications submitted to, and approved by, various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**P. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Q. Net Position**

In the district-wide financial statements net position are reported in three components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net investment in capital assets consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any bonds, capital leases or construction contract payables used to acquire, construct or improve these assets. Restricted net position is reported when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position are net positions that do not meet the definition of either of the first two categories of net position.

**R. Fund Balance Classifications**

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance.** Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid expenses.

**Restricted fund balance.** Amounts with constraints placed on the use of resources that are either:

- a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance.** Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the governing board. These amounts cannot be used for any other purposes unless the governing board removes or changes the specific purpose by taking the same kind of formal action previously used to commit these amounts. Adoption of the annual budget does not constitute a commitment as appropriations lapse at year end without governing board action. This also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned fund balance.** Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing board or body or official to which the governing board has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance in governmental funds, other than the general fund, includes all spendable amounts that are not restricted or committed, if that amount is positive.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Unassigned fund balance.** Spendable amounts in the General Fund that are not restricted, committed or assigned. The General Fund is the only fund that may report a positive unassigned fund balance amount. For governmental funds other than the General Fund, negative fund balances are reported here if restricted, committed, or assigned amounts exceed total spendable fund balance.

**Hierarchy for use of fund balances.** When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NOTE 2 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

For the year ended June 30, 2015, Riverside Elementary School District No. 2 implemented the provisions of GASB Statement 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and, therefore, net position as of July 1, 2014, has been restated as follows.

	Governmental Activities
Net position, as previously reported at June 30, 2014	\$ 30,104,257
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(7,026,936)
Deferred outflows - District contributions made during fiscal year 2014	403,534
Total prior period adjustment	(6,623,402)
Net position, as restated, July 1, 2014	\$ 23,480,855

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers reported as of June 30, 2015:

Funds	Interfund	
	Transfers In	Transfers Out
General Fund	\$ 55,231	\$ -
Other Governmental Funds	-	(55,231)
Total	\$ 55,231	\$ (55,231)

These transfers were to transfer \$55,231 in federal grant indirect costs to the General Fund.

**NOTE 4 - CONTINGENT LIABILITIES**

**Federal grants** - In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by District officials to be material.

**Litigation** - Each year the District receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the District arising there from. The District has comprehensive general liability insurance with the Arizona School Risk Retention Trust. The District is not aware of any litigation that might result in a materially adverse outcome.

**NOTE 5 - CASH AND INVESTMENTS**

**A. Cash**

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District's cash deposits may not be returned. As of June 30, 2015, the District's carrying amount of demand deposits and bank balances were \$271,002 in the fiduciary funds. The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. The demand and time deposits in excess of \$250,000 are covered by collateral held by the pledging financial institution's trust department in the District's name.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 - CASH AND INVESTMENTS (continued)**

**B. Investments Held by Maricopa County Treasurer**

§15-996, A.R.S. authorizes the Maricopa County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2015, the District's governmental funds reported \$17,896,901 on deposit with the Maricopa County Treasurer's investment pool (MCTIP), a local government investment pool. The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the county. The county accounts for the investment pool in their Fiduciary Investment Trust Fund. Interest rate risk, credit risk, custodial credit risk and concentration of credit risk regarding the MCTIP are included in the *Comprehensive Annual Financial Report of Maricopa County*. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool. The Maricopa County Treasurer's investment pool is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2015, the MCTIP had not received a quality credit rating from a national rating agency.

**Debt Service.** §15-1025 A.R.S. provides that the District may invest and reinvest all monies belonging to or credited to the school district as a debt service fund. The debt service funds may be invested in 1) obligations issued or guaranteed by the United States or any of its agencies or instrumentalities; 2) specified state and local government bonds; 3) interest bearing savings accounts or certificates of deposits that is insured as required by the general depository law of Arizona; and 4) bonds, debentures or other obligations issued by certain federal banks. The purchase of the securities is required to be made by the Maricopa County Treasurer. All earnings on the invested debt service monies shall be credited to the debt service fund. The Debt Service Fund reported cash and investments as of June 30, 2015, in the amount of \$388,765, all of which was invested in the MCTIP. In addition, the Debt Service Fund reported cash held by paying agent as of June 30, 2015, in the amount of \$5,913,496 for the July 1, 2015, bond principal and interest payments.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices than what is allowable per A.R.S.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. At June 30, 2015, the District's investment of \$17,896,901 invested in the County investment pool was subject to custodial credit risk because the related securities are uninsured, unregistered and held by Maricopa County not in the District's name.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 - CASH AND INVESTMENTS (concluded)**

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk. At June 30, 2015, the District's investment of \$17,896,901 invested in the county investment pool was subject to concentration of credit risk.

**NOTE 6 - DUE FROM OTHER GOVERNMENTS**

Receivable balances have been disaggregated by type and presented separately in the financial statements with the exception of the amounts due from other governments. As of June 30, 2015, the District had the following amounts due from other governments:

	<u>General Fund</u>	<u>Bond Building Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Due from state government:</b>				
State equalization	\$ 10,696	\$ -	\$ -	\$ 10,696
Classroom site	-	-	22,857	22,857
Instructional improvement	-	-	13,736	13,736
<b>Due from federal government:</b>				
Federal grants	44,881	36,450	265,297	346,628
E-Rate	<u>116,409</u>	<u>-</u>	<u>-</u>	<u>116,409</u>
<b>Total due from other governments</b>	<b><u>\$ 171,986</u></b>	<b><u>\$ 36,450</u></b>	<b><u>\$ 301,890</u></b>	<b><u>\$ 510,326</u></b>

**NOTE 7 - DEFERRED INFLOWS OF RESOURCES / ADVANCES FROM GOVERNMENT GRANTS**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with advances from government grants that have been received, but not yet earned. As of June 30, 2015, the various components of deferred resources reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>General Fund:</b>			
Unavailable - property taxes	\$ 61,823	\$ -	\$ 61,823
<b>Debt Service Fund:</b>			
Unavailable - property taxes	44,640	-	44,640
<b>Other Governmental Funds:</b>			
Unavailable - property taxes	6,279	-	6,279
Advances from federal grants	-	134	134
Advances from state grants	<u>-</u>	<u>98,545</u>	<u>98,545</u>
<b>Totals</b>	<b><u>\$ 112,742</u></b>	<b><u>\$ 98,679</u></b>	<b><u>\$ 211,421</u></b>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 - CAPITAL ASSETS**

Capital asset governmental activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Non-depreciable capital assets:</b>			
Land	\$ 2,855,758	\$ -	\$ 2,855,758
Construction in progress	<u>108,532</u>	<u>2,059,007</u>	<u>2,167,539</u>
Total non-depreciable capital assets	<u>2,964,290</u>	<u>2,059,007</u>	<u>5,023,297</u>
<b>Depreciable capital assets:</b>			
Buildings and improvements	38,280,482	540,903	38,821,385
Other improvements	6,136,377	554,340	6,690,717
Vehicles, furniture and equipment	<u>5,020,004</u>	<u>620,362</u>	<u>5,640,366</u>
Total depreciable capital assets	<u>49,436,863</u>	<u>1,715,605</u>	<u>51,152,468</u>
Less accumulated depreciation for:			
Buildings and improvements	(7,763,076)	(1,082,855)	(8,845,931)
Other improvements	(1,774,436)	(347,302)	(2,121,738)
Vehicles, furniture and equipment	<u>(2,696,568)</u>	<u>(520,499)</u>	<u>(3,217,067)</u>
Total accumulated depreciation	<u>(12,234,080)</u>	<u>(1,950,656)</u>	<u>(14,184,736)</u>
Total depreciable capital assets, net	<u>37,202,783</u>	<u>(235,051)</u>	<u>36,967,732</u>
<b>Total capital assets, net</b>	<b><u>\$ 40,167,073</u></b>	<b><u>\$ 1,823,956</u></b>	<b><u>\$ 41,991,029</u></b>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 1,268,659
Support services - students and staff	78,405
Support services - administration	326,335
Operation and maintenance of plant	145,058
Student transportation services	122,948
Operation of non-instructional services	<u>9,251</u>
Total depreciation expense	<b><u>\$ 1,950,656</u></b>

**NOTE 9 - CONSTRUCTION CONTRACT COMMITMENTS**

The District had the following construction contract commitments as of June 30, 2015:

<u>Project</u>	<u>Contract</u> <u>Amount</u>	<u>Amount Paid</u> <u>as of</u> <u>June 30, 2015</u>	<u>Contract</u> <u>Balance</u>
New elementary school	\$ 2,298,169	\$ (794,736)	\$ 1,503,433
Existing school renovations	<u>555,930</u>	<u>(209,480)</u>	<u>346,450</u>
Totals	<b><u>\$ 2,854,099</u></b>	<b><u>\$ (1,004,216)</u></b>	<b><u>\$ 1,849,883</u></b>



**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2015:

<u>Governmental activities:</u>	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 32,530,000	\$ 4,565,000	\$ (4,665,000)	\$ 32,430,000	\$ 5,250,000
Discount on bonds	(31,048)	-	2,070	(28,978)	(2,070)
Premium on bonds	688,200	202,065	(151,454)	738,811	151,454
Compensated absences payable	224,226	124,577	(145,913)	202,890	25,000
Net pension liability	<u>7,026,936</u>	<u>700,064</u>	<u>(1,536,488)</u>	<u>6,190,512</u>	<u>473,661</u>
Total	<u>\$ 40,438,314</u>	<u>\$ 5,591,706</u>	<u>\$ (6,496,785)</u>	<u>\$ 39,533,235</u>	<u>\$ 5,898,045</u>

**NOTE 11 - BONDS PAYABLE**

Bonds payable at June 30, 2015, consisted of the following outstanding general obligation bonds. The bonds are both callable and noncallable with interest payable semiannually. Property taxes specifically assessed for debt service are recorded in the Debt Service Fund and used to pay bonded debt.

Bonds payable at June 30, 2015, are as follows:

<u>Governmental activities:</u>	Original Amount Issued	Interest Rates	Outstanding Maturities	Outstanding Principal June 30, 2015	Due Within One Year
<b>School Improvement Bonds:</b>					
Project 2000, Series B (2003)	\$ 3,250,000	4.6-4.8%	7/1/15-16	\$ 300,000	\$ 200,000
Project 2000, Series C (2005)	3,000,000	5.0%	7/1/15-16	575,000	275,000
Project 2006, Series A (2007)	5,750,000	4.3-5.3%	7/1/16-22	2,715,000	-
Project 2006, Series B-2 (2010)	7,545,000	5.4-6.6%	7/1/15-29	7,545,000	875,000
Project 2011, Series B (2013)	2,960,000	1.67%	7/1/15-16	1,260,000	1,160,000
Project 2011, Series C (2013)	14,465,000	2.0-4.5%	7/1/15-28	13,490,000	400,000
Project 2011, Series D (2014)	4,565,000	2.0-3.0%	7/1/15-17	4,565,000	1,625,000
<b>Refunding Bonds:</b>					
Series 2010	4,000,000	2.3-6.0%	7/1/15-16	1,460,000	715,000
Series 2011	3,820,000	4.0-5.0%	7/1/30	<u>520,000</u>	<u>-</u>
				<u>\$ 32,430,000</u>	<u>\$ 5,250,000</u>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 11 - BONDS PAYABLE (concluded)**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2016	\$ 5,250,000	\$ 1,326,992	\$ 6,576,992
2017	4,515,000	1,186,030	5,701,030
2018	3,810,000	1,023,879	4,833,879
2019	2,000,000	898,016	2,898,016
2020	2,075,000	826,204	2,901,204
2021-2025	7,330,000	2,994,039	10,324,039
2026-2030	6,930,000	1,108,750	8,038,750
2031	520,000	29,900	549,900
Total	<u>\$ 32,430,000</u>	<u>\$ 9,393,810</u>	<u>\$ 41,823,810</u>

**NOTE 12 - DEFEASED DEBT**

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year end, \$2,935,000 of defeased bonds are still outstanding.

**NOTE 13 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Arizona School Risk Retention Trust, Inc. (ASRRT), together with other school districts in the state. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

For employee health insurance, the District is a member of the Arizona School Boards Association Insurance Trust (ASBAIT), together with other school districts. ASBAIT was established in 1981 by the Arizona School Board Association. Its formation was in response to Arizona school administrators desire to obtain comprehensive health benefits at reasonable costs. ASBAIT operates by an "Agreement and Declaration of Trust" in accordance with the laws of the State of Arizona, including, without limitation, A.R.S. §15-382. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts. School districts have the authority to join ASBAIT without competitive bidding.

The District carries commercial insurance for workers' compensation and dental insurance.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 14 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan description** - District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its web site at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Retirement Initial membership date:

	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years/age 62 5 years/age 50* Any years/age 65	30 years after age 55 25 years/age 60 10 years/age 62 5 years/age 50* Any years/age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension and OPEB for the current and two preceding years all of which were equal to the required contributions, were as follows:

Year ended June 30	Retirement Fund	Health Insurance Premium Benefit	Long-Term Disability Fund	Alternative Required Contribution	Total Contributions
2015	\$ 437,046	\$ 23,678	\$ 4,816	\$ 8,121	\$ 473,661
2014	399,113	21,623	8,934	5,139	434,809
2013	384,864	24,406	9,011	-	418,281

During fiscal year ending June 30, 2015, the District paid for pension and OPEB contributions as follows:

Fund:	Pension and OPEB Contribution	Percentage by Fund
General Fund	\$ 323,922	68.4 %
Bond Building Fund	21,396	4.5 %
Other Governmental Funds	128,343	27.1 %
Total	<u>\$ 473,661</u>	<u>100.0 %</u>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension liability** - At June 30, 2015, the District reported a liability of \$6,190,512 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014, was 0.04 percent, which was a decrease of (0.0004) percent from its proportion measured as of June 30, 2013.

**Pension expense and deferred outflows/inflows of resources** - For the year ended June 30, 2015, the District recognized pension expense for ASRS of \$385,444. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 314,620	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,082,529
Changes in proportion and differences between district contributions and proportionate share of contributions	-	50,425
District contributions subsequent to the measurement date	<u>473,661</u>	<u>-</u>
Total	<u>\$ 788,281</u>	<u>\$ 1,132,954</u>

The \$473,661 reported as deferred outflows of resources related to ASRS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Deferred outflows (inflows) Amount</u>
2016	\$ (155,765)
2017	(155,765)
2018	(236,172)
2019	(270,632)

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial assumptions** - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increase	3.00 - 6.75%
Inflation	3.00%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	63.00 %	7.03 %
Fixed income	25.00 %	3.20 %
Real estate	8.00 %	4.75 %
Commodities	4.00 %	4.50 %
Total	<u>100.00 %</u>	

**Discount rate** - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (concluded)**

**Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate** - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ 7,824,489	\$ 6,190,512	\$ 5,303,997

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**Pension contributions payable** - The District's accrued payroll and employee benefits included \$7,800 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2015.

**NOTE 15 - SUBSEQUENT EVENTS**

**A. Bond Election and Issuance**

On September 17, 2015, the qualified electors of the District voted and approved a bond for \$10.2 million dollars over five years. The new bond will provide the following improvements: replace and provide new technology, technology infrastructure, and equipment to students; replace old and unsafe busses; replace outdated and worn textbooks; and new school construction. On October 28, 2015 the District issued School Improvement Bonds, Project of 2014 (Private Placement, Tax-Exempt) totaling \$10.2 million at an interest rate of 3.1%. The bonds were sold with a premium of \$229,519 and an issuance cost of \$221,450.

**B. Maintenance and Operation Budgetary Override Election**

On November 3, 2015, the qualified electors of the District voted and approved a 15% Maintenance and Operation Budget Override. The budget override supports the District efforts to help maintain following current level of services during the fiscal year:

- Full day kindergarten without requiring parent funding;
- Competitive salaries for recruiting and retaining highly qualified teachers and classified staffs;
- Class size reduction;
- Integration of Science, Technology, Engineering, and Mathematics (STEM) student instructional programs;
- Addition and retention of specialized teachers for technology, engineering, sciences, physical education, arts, and sports;
- Robotics and engineering instructional programs;
- Sports programs.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 15 - SUBSEQUENT EVENTS (concluded)**

**C. District Additional Assistance Budgetary Override Election**

On November 3, 2015, the qualified electors of the District voted and approved to exceed the District Additional Assistance revenue limit by \$650,000. The proposed override monies are expected to fund the following programs in the next fiscal year:

- Textbooks and instructional materials for STEM classrooms;
- Replacement of outdated laptops and other technologies for classroom;
- Replacement and upgrades of library books and instructional software;
- Purchase of school buses and other District vehicles;
- Purchase of STEM and science instructional equipments (ex. microscopes, robots, etc.);

**D. Construction contracts**

On October 12, 2015, the District entered a construction contract for \$13.6 million for the construction of the new elementary school. Change orders were executed November 18, 2015 and November 23, 2015, bringing the total cost to \$14.3 million.



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**REQUIRED SUPPLEMENTARY INFORMATION**

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Private Education in a Public School Setting

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 5,047,118	\$ 5,047,118
Other local revenue	-	-	92,235	92,235
State aid and grants	-	-	41,861	41,861
Federal aid and grants	-	-	117,679	117,679
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>5,298,893</u>	<u>5,298,893</u>
<b>Expenditures:</b>				
Current:				
Instruction	2,308,606	2,429,990	2,202,003	227,987
Support services - students and staff	611,024	643,150	582,809	60,341
Support services - administration	1,378,681	1,451,169	1,315,018	136,151
Operation and maintenance of plant	930,442	979,362	887,477	91,885
Student transportation services	307,552	323,722	293,350	30,372
Operation of non-instructional services	4,377	4,607	4,175	432
<b>Total expenditures</b>	<u>5,540,682</u>	<u>5,832,000</u>	<u>5,284,832</u>	<u>547,168</u>
Excess (deficiency) of revenues over expenditures	<u>(5,540,682)</u>	<u>(5,832,000)</u>	<u>14,061</u>	<u>5,846,061</u>
<b>Other financing sources:</b>				
Transfers in	-	-	55,231	55,231
<b>Net change in fund balances</b>	<u>(5,540,682)</u>	<u>(5,832,000)</u>	<u>69,292</u>	<u>5,901,292</u>
<b>Fund balances, June 30, 2014</b>	<u>289,854</u>	<u>289,854</u>	<u>289,854</u>	<u>-</u>
<b>Fund balances, June 30, 2015</b>	<u>\$ (5,250,828)</u>	<u>\$ (5,542,146)</u>	<u>\$ 359,146</u>	<u>\$ 5,901,292</u>

See accompanying notes to this schedule.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**NOTE 1 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

The District follows these procedures established by State statutes and the State Board of Education rules in establishing budget balances for governmental funds, as described below:

1. Budgets are prepared, public hearings are held and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
2. Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g. instruction, pupil personnel services, and school administration) and may be amended by resolution at any school board meeting prior to the due date for the annual financial report.
3. Budgetary information is integrated into the accounting system to facilitate budgetary control. The budget balances are encumbered when purchase orders are issued. However, appropriations lapse at year end and encumbrances outstanding at year-end do not constitute expenditures or liabilities, and are reversed before financial statements are prepared.
4. The District is not required by the State of Arizona to prepare a revenue budget. For presentation purposes the budgeted revenues shown as zero.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**NOTE 2 - BUDGETARY COMPLIANCE WITH GASB 54**

Arizona Revised Statutes 15-271 requires the Arizona Office of the Auditor General to determine the accounting systems, accounting methods and accounting procedures for utilization by Arizona school districts. The Arizona Auditor General provides a chart of accounts that guides all Arizona school districts in recording revenues. For financial reporting, the Governmental Accounting Standards Board (GASB)'s Statement 54 defines a special revenue fund as a fund that reports specific revenues with the related expenditures substantially restricted. Noncapital funds that do not meet the definition of GASB 54's special revenue fund definition are recorded within the General Fund. In the schedule provided below, we have provided detail of the funds that comprise the General Fund, with budget to actual information. Furthermore, a separate budgetary schedule for Maintenance and Operation, the main budgetary fund for the District per Arizona Revised Statutes, is provided as other supplementary information on page 56.

<u>Fund</u>		<u>Budgeted Amounts</u>			<u>Expenditures</u>	<u>Difference</u>
<u>No.</u>	<u>Description</u>	<u>Revenues</u>	<u>Adopted</u>	<u>Final</u>		
<b>001</b>	<b>Maintenance &amp; Operation</b>	<b>\$ 5,143,081</b>	<b>\$ 4,978,182</b>	<b>\$ 5,081,633</b>	<b>\$ 4,916,635</b>	<b>\$ 164,998</b>
290	Medicaid Reimbursement	1,951	20,000	15,000	-	15,000
374	E-Rate	115,728	52,400	22,250	98,871	(76,621)
515	Civic Center	2,586	15,000	15,000	610	14,390
530	Gifts and Donations	34,551	110,000	132,117	50,176	81,941
555	Textbooks	2	100	1,000	477	523
570	Indirect Costs	970	350,000	550,000	214,572	335,428
575	Unemployment Insurance	24	15,000	15,000	3,491	11,509
<b>Total all funds</b>		<b>\$ 5,298,893</b>	<b>\$ 5,540,682</b>	<b>\$ 5,832,000</b>	<b>\$ 5,284,832</b>	<b>\$ 547,168</b>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 JUNE 30, 2015**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
District's proportion of the net pension liability	0.04 %	Information not available
District's proportionate share of the net pension liability	\$ 6,190,512	
District's covered-employee payroll	\$ 3,828,339	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.70 %	
Plan fiduciary net position as a percentage of the total pension liability	69.49 %	

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
JUNE 30, 2015**

Arizona State Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	\$ 473,661	\$ 434,809	Information not available
District's contributions in relation to the statutorily required contribution	<u>473,661</u>	<u>434,809</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	\$ 4,172,385	\$ 3,828,339	
District's contributions as a percentage of covered-employee payroll	<u>11.35 %</u>	<u>11.36 %</u>	

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**OTHER SUPPLEMENTARY INFORMATION**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE  
MAINTENANCE AND OPERATION FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Non-GAAP</u>	Variance
	<u>Adopted</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 5,047,118	\$ 5,047,118
Other local	-	-	54,102	54,102
State aid and grants	-	-	41,861	41,861
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>5,143,081</u>	<u>5,143,081</u>
<b>Expenditures:</b>				
<b>Regular education:</b>				
Instruction	1,801,020	1,611,159	1,596,985	14,174
Support services - students and staff	211,972	216,204	190,403	25,801
Support services - administration	1,192,149	1,224,514	1,187,090	37,424
Operation and maintenance of plant	680,458	814,975	686,825	128,150
School-sponsored athletics	<u>27,387</u>	<u>25,423</u>	<u>20,857</u>	<u>4,566</u>
<b>Total regular education</b>	<u>3,912,986</u>	<u>3,892,275</u>	<u>3,682,160</u>	<u>210,115</u>
<b>Special education:</b>				
Instruction	388,314	444,948	545,499	(100,551)
Support services - students and staff	317,540	357,016	357,472	(456)
Support services - administration	<u>-</u>	<u>153</u>	<u>123</u>	<u>30</u>
<b>Total special education</b>	<u>705,854</u>	<u>802,117</u>	<u>903,094</u>	<u>(100,977)</u>
<b>Student transportation services:</b>				
Operation and maintenance of plant	-	-	552	(552)
Student transportation services	<u>312,635</u>	<u>340,534</u>	<u>284,122</u>	<u>56,412</u>
<b>Total student transportation services</b>	<u>312,635</u>	<u>340,534</u>	<u>284,674</u>	<u>55,860</u>
<b>K-3 reading program:</b>				
Instruction	<u>46,707</u>	<u>46,707</u>	<u>46,707</u>	<u>-</u>
<b>Total expenditures</b>	<u>4,978,182</u>	<u>5,081,633</u>	<u>4,916,635</u>	<u>164,998</u>
<b>Net changes in fund balances</b>	(4,978,182)	(5,081,633)	226,446	5,308,079
<b>Fund balance, July 1, 2014</b>	<u>(230,222)</u>	<u>(230,222)</u>	<u>(230,222)</u>	<u>-</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ (5,208,404)</u>	<u>\$ (5,311,855)</u>	<u>\$ (3,776)</u>	<u>\$ 5,308,079</u>

See accompanying notes to this schedule.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
JUNE 30, 2015**

	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 5,930,017	\$ 5,930,017
Other local revenue	<u>-</u>	<u>-</u>	<u>151,875</u>	<u>151,875</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>6,081,892</u>	<u>6,081,892</u>
<b>Expenditures:</b>				
Principal	4,817,472	5,026,666	5,250,000	(223,334)
Interest	<u>1,219,547</u>	<u>1,272,505</u>	<u>1,329,042</u>	<u>(56,537)</u>
<b>Total expenditures</b>	<u>6,037,019</u>	<u>6,299,171</u>	<u>6,579,042</u>	<u>(279,871)</u>
Deficiency of revenues over expenditures	<u>(6,037,019)</u>	<u>(6,299,171)</u>	<u>(497,150)</u>	<u>5,802,021</u>
<b>Other financing sources:</b>				
Premium on sale of bonds	<u>-</u>	<u>-</u>	<u>190,585</u>	<u>190,585</u>
<b>Net change in fund balances</b>	(6,037,019)	(6,299,171)	(306,565)	5,992,606
<b>Fund balances, July 1, 2014</b>	<u>709,828</u>	<u>709,828</u>	<u>709,828</u>	<u>-</u>
<b>Fund balances, June 30, 2015</b>	<u>\$ (5,327,191)</u>	<u>\$ (5,589,343)</u>	<u>\$ 403,263</u>	<u>\$ 5,992,606</u>

See accompanying notes to this schedule.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE**  
**BOND BUILDING FUND**  
**JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>Revenues:</b>				
Local revenue	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction	3,001,505	2,957,599	774,819	2,182,780
Support services - students and staff	440,224	433,785	113,641	320,144
Support services - administration	1,292,215	1,273,313	333,577	939,736
Operation and maintenance of plant	316,328	311,701	81,658	230,043
Student transportation services	23,700	23,353	6,118	17,235
Operation of non-instructional services	17,424	17,170	4,498	12,672
Capital outlay	<u>12,562,401</u>	<u>12,378,644</u>	<u>3,242,903</u>	<u>9,135,741</u>
<b>Total expenditures</b>	<u>17,653,797</u>	<u>17,395,565</u>	<u>4,557,214</u>	<u>12,838,351</u>
Deficiency of revenues over expenditures	<u>(17,653,797)</u>	<u>(17,395,565)</u>	<u>(4,557,214)</u>	<u>12,838,351</u>
<b>Other financing sources:</b>				
Proceeds from sale of bonds	-	-	4,565,000	4,565,000
Premium on sale of bonds	<u>-</u>	<u>-</u>	<u>11,480</u>	<u>11,480</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,576,480</u>	<u>4,576,480</u>
<b>Net change in fund balances</b>	<u>(17,653,797)</u>	<u>(17,395,565)</u>	<u>19,266</u>	<u>17,414,831</u>
<b>Fund balances, July 1, 2014</b>	<u>14,327,887</u>	<u>14,327,887</u>	<u>14,327,887</u>	<u>-</u>
<b>Fund balances, June 30, 2015</b>	<u>\$ (3,325,910)</u>	<u>\$ (3,067,678)</u>	<u>\$14,347,153</u>	<u>\$ 17,414,831</u>

See accompanying notes to this schedule.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**NOTE 1 - GENERAL FUND COMBINING SCHEDULE**

The Arizona Department of Education provides a Chart of Accounts that all Arizona school districts must follow. As such the District is required to place revenues in certain funds. By definition per GASB 54 a special revenue fund is a specific revenue with the expenditures substantially restricted. The following table provides the funds that do not have substantial restrictions that were grouped together with the District's Maintenance and Operation Fund.

<u>Fund Number</u>	<u>Fund Description</u>	<u>Assets</u>	<u>Liabilities and Deferred Inflows of Resources</u>	<u>Fund Balances</u>	<u>Revenues</u>	<u>Expenditures</u>
<b>001</b>	<b>Maintenance &amp; Operation</b>	<b>\$ 152,224</b>	<b>\$ 156,000</b>	<b>\$ (3,776)</b>	<b>\$ 5,143,081</b>	<b>\$ 4,916,635</b>
290	Medicaid Reimbursement	9,431	-	9,431	1,951	-
374	E-Rate	35,116	-	35,116	115,728	98,871
515	Civic Center	13,651	-	13,651	2,586	610
530	Gifts and Donations	61,840	1,155	60,685	34,551	50,176
555	Textbooks	76	-	76	2	477
570	Indirect Costs	256,004	14,151	241,853	970	214,572
575	Unemployment Insurance	2,626	516	2,110	24	3,491
<b>Total all funds</b>		<b><u>\$ 530,968</u></b>	<b><u>\$ 171,822</u></b>	<b><u>\$ 359,146</u></b>	<b><u>\$ 5,298,893</u></b>	<b><u>\$ 5,284,832</u></b>

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**STATISTICAL SECTION**  
**(unaudited)**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
AVERAGE DAILY MEMBERSHIP  
LAST 6 FISCAL YEARS**

<u>Fiscal Year</u>	<u>A.D.M. (a)</u>
2014-15	840
2013-14	810
2012-13	757
2011-12	745
2010-11	676
2009-10	630

(a) A.D.M. means average daily membership, and is computed by taking the average number of students enrolled over the first 100 days of the school year.

**Source:** The Arizona Department of Education and the District.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION  
LAST FIVE FISCAL YEARS**

<b>Property Classification (a)</b>	<b>2010/11 Secondary Assessed Valuation</b>	<b>2011/12 Secondary Assessed Valuation</b>	<b>2012/13 Secondary Assessed Valuation</b>	<b>2013/14 Secondary Assessed Valuation</b>	<b>2014/15 Secondary Assessed Valuation</b>
Mining, Utilities, Commercial and Industrial (b)	\$451,912,932	\$375,143,771	\$336,951,854	\$302,841,974	\$317,823,003
Agriculture and Vacant Land (b)	17,467,141	12,379,375	10,417,085	9,207,770	9,426,233
Owner Occupied Residential	17,605,803	11,664,032	9,456,223	7,195,616	8,393,509
Leased or rented Residential	2,831,299	2,652,563	3,245,453	4,271,059	5,621,170
Railroad	632,505	585,280	892,153	917,403	1,006,900
Historical Property	1,476,857	1,065,915	434,136	907,825	3,630,816
Totals	<u>\$ 491,926,537</u>	<u>\$ 403,490,936</u>	<u>\$ 361,396,904</u>	<u>\$ 325,341,647</u>	<u>\$ 345,901,631</u>

**Source:** The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
- (b) For tax year 2014, full cash values up to \$141,385 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 18.5% for tax year 2015 and further reduced one-half of one percent for each year to 18% for tax year 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
 ASSESSED VALUATION OF MAJOR TAXPAYERS  
 JUNE 30, 2015**

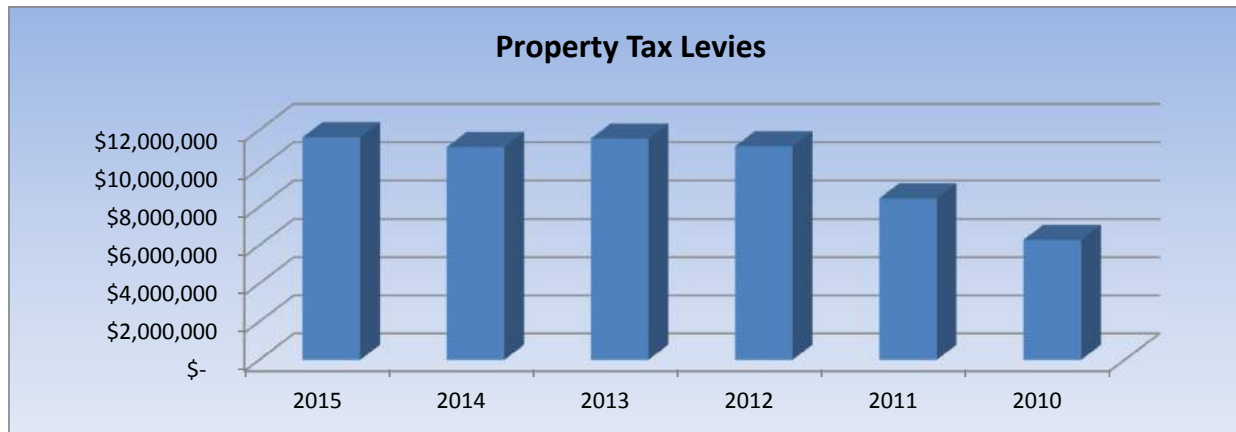
<b>Major Taxpayer (a)</b>	<b>2014-15</b>	
	<b>Secondary Assessed Valuation</b>	<b>Percentage of District's Net Assessed Valuation</b>
Arizona Public Service Company	\$65,256,885	20.06
Southwest Gas Company	46,908,216	14.42
ITT Cactus DC LLC	8,886,158	2.73
Kinder Morgan Energy Partners LP	7,335,491	2.25
Amazon.com AZDC LLC	6,320,458	1.94
Generation 3 Investments I LLC	4,215,394	1.30
Cal Jet of America LLC	3,724,845	1.14
BRE/DP AZ LLC	3,235,923	0.99
Duke Realty Limited Partnership	2,972,425	0.91
Roadway Package Systems Inc.	2,799,459	0.86
	<b>\$ 151,655,254</b>	<b>46.61%</b>

**Source:** Office of the Assessor of the County

(a) *Some of such taxpayers or their parent companies are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>. None of the District, the Underwriter or their respective agents or consultants has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.*

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST 6 FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Current Collections		Collections in Subsequent Fiscal Years	Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 11,623,866	\$ 11,475,219	98.72%	\$ N/A	\$ 11,475,219	98.72%
2014	11,108,878	10,918,695	98.29%	156,394	11,075,089	99.70%
2013	11,551,355	11,444,729	99.08%	104,706	11,549,435	99.98%
2012	11,150,072	11,025,413	98.88%	116,361	11,141,774	99.93%
2011	8,435,411	8,297,856	98.37%	137,555	8,435,411	100.00%
2010	6,278,998	6,093,901	97.05%	150,615	6,244,516	99.45%



**Source:** The source of this information is the Maricopa County Treasurer's records.

**Note 1:** Amounts collected are on a cash basis.

**Note 2:** Unsecured personal property taxes are not included in this schedule because the dates of the monthly rolls vary each year. On the average, 90% of unsecured property taxes are collected within 90 days after the due date.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2015**

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonded Debt (b)</u>	<u>Proportion Applicable to the District (a)</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	None	0.71%	None
Maricopa County	None	1.16	None
Maricopa County Community College District	\$ 654,190,000	1.16	\$ 7,588,604
Maricopa County Flood Control District	None	1.31	None
City of Phoenix	1,495,776,176	3.19	47,715,260
Laveen Meadows Volunteer Fire District	None	4.90	None
Phoenix Union High School District No. 210	295,670,000	9.18	27,142,506
Riverside Elementary School District No. 2	32,430,000	100.00	<u>32,430,000</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u><u>\$ 114,876,370</u></u>

(a) Proportion applicable to the District is computed on the ratio of secondary assessed valuation for 2014/15.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
LEGAL DEBT MARGIN INFORMATION  
CURRENT FISCAL YEAR**

**Legal Debt Margin Calculation for Fiscal Year 2015:**

Secondary assessed valuation	\$ 345,901,631
	<u>15%</u>
Debt limit (15% of assessed value)	51,885,245
Less: Net debt applicable to limit	<u>(32,430,000)</u>
Legal debt margin	\$ 19,455,245

**Class B Bond Legal Debt Margin Calculation for Fiscal Year 2015:**

Secondary assessed valuation	\$ 345,901,631
	<u>10%</u>
Debt limit (10% of assessed value)	34,590,163
Less: Net debt applicable to limit	<u>(32,430,000)</u>
Legal debt margin	\$ 2,160,163

**Source:** The source of this information is the District's financial records.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
DIRECT AND OVERLAPPING ASSESSED VALUTATIONS AND TAX RATES  
JUNE 30, 2015**

<u>Overlapping Jurisdiction</u>	<u>2014/15 Secondary Assessed Valuation</u>	<u>2014/15 Primary Assessed Valuation</u>	<u>2014/15 Total Tax Rate Per \$100 Assessed Valuation</u>
State of Arizona	\$ 52,594,377,492	\$ 52,136,742,880	None
Maricopa County	32,229,006,810	31,996,204,979	\$ 1.7930 (a)
Maricopa County Community College District	32,229,006,810	31,996,204,979	1.5340
Maricopa County Fire District (b)	32,229,006,810	N/A	0.0121
Maricopa County Library District (b)	32,229,006,810	N/A	0.1939
Maricopa County Special Health Care District (b)	32,229,006,810	N/A	0.0438
Maricopa County Flood Control District (b)	28,622,833,869	N/A	0.1392
Central Arizona Water Conservation District (b)	32,240,159,338	N/A	0.1400
Laveen Meadows Fire District (b)	39,890,720	N/A	3.0202
City of Phoenix	9,974,713,171	9,889,798,785	1.8200
Phoenix Union High School No. 210	4,088,065,277	4,042,133,638	4.8162
Riverside Elementary School District No. 2	375,243,828	370,134,717	3.3731

(a) Includes the "State Equalization Assistance Property Tax." This rate has been set at \$0.000 for fiscal years 2006/07 through 2008/09. The State Equalization Assistance Property Tax in fiscal year 2009/10 will be computed pursuant to Arizona Revised Statutes, Section 41-1276.

(b) The assessed valuation of the flood control district does not include the personal property assessed valuation of the County. All levies for fire districts, library districts, flood control districts, water conservation districts and special health care districts are levied on the secondary assessed valuation as shown here.

Source: Property Tax Rates and Assessed Values, Arizona Tax Research Foundation and State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
COMPARATIVE SECONDARY ASSESSED VALUATIONS  
LAST SIX FISCAL YEARS**

<b>Fiscal Year</b>	<b>Riverside Elementary District No. 2</b>	<b>Phoenix Union High School District No. 210</b>	<b>City of Phoenix</b>	<b>Maricopa County</b>	<b>State of Arizona</b>
2014/15	\$ 345,901,631	\$ 4,372,062,126	\$ 10,818,634,186	\$ 35,079,646,593	\$ 55,349,948,120
2013/14	325,341,647	4,573,470,147	10,849,743,656	34,400,455,716	56,271,814,583
2012/13	361,396,904	5,325,305,098	12,343,773,555	38,760,296,714	61,700,292,915
2011/12	403,490,936	7,071,398,209	16,092,308,323	49,707,952,123	75,643,290,656
2010/11	459,278,276	8,292,780,584	18,861,238,355	57,984,051,718	86,538,111,171
2009/10	408,226,042	8,137,089,040	18,856,072,373	58,303,635,287	86,090,579,647

Source: Property Tax Rates and Assessed Values, The Arizona Property Tax Research Foundation.



**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
ESTIMATED FULL CASH VALUE HISTORY  
LAST FIVE FISCAL YEARS**

<b>Fiscal Year</b>	<b>Estimated Net Full Cash Value (a)</b>
2014/15	\$ 1,940,119,629
2013/14	1,742,148,911
2012/13	1,890,909,461
2011/12	2,111,362,100
2010/11	2,484,004,818

(a) Estimated net full cash value is the total market value of the property within the District less the exempt

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

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**RIVERSIDE ELEMENTARY  
SCHOOL DISTRICT NO. 2  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2015**

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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2015**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board of  
Riverside Elementary School District No. 2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Riverside Elementary School District No. 2, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Riverside Elementary School District No. 2's basic financial statements, and have issued our report thereon dated January 31, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Riverside Elementary School District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Elementary School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Riverside Elementary School District No. 2's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, during our audit we did identify a deficiency in internal control that we consider to be material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2015-001 to be a material weakness.

## **Compliance**

As part of obtaining reasonable assurance about whether Riverside Elementary School District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Other Matters**

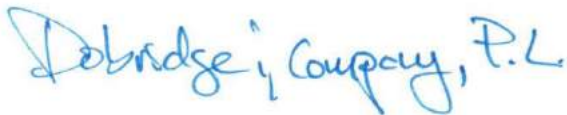
We noted certain matters that we reported to management of Riverside Elementary School District No. 2 in a separate document entitled Uniform System of Financial Records (USFR) Compliance Questionnaire dated January 31, 2016.

## **Riverside Elementary School District No. 2 Response to Findings**

Riverside Elementary School District No. 2's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Elementary School District No. 2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Dobridge & Company, P.C.".

**Dobridge & Company, P.C.**

*Mesa, Arizona*

January 31, 2016





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board of  
Riverside Elementary School District No. 2

**Report on Compliance for Each Major Federal Program**

We have audited Riverside Elementary School District No. 2's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Riverside Elementary School District No. 2's major federal programs for the year ended June 30, 2015. Riverside Elementary School District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Riverside Elementary School District No. 2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riverside Elementary School District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Riverside Elementary School District No. 2's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Riverside Elementary School District No. 2, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of Riverside Elementary School District No. 2, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverside Elementary School District No. 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverside Elementary School District No. 2's internal control over compliance.

### **Report on Internal Control Over Compliance (concluded)**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

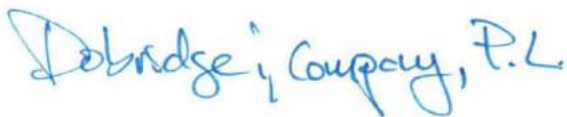
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Elementary School District No. 2, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Riverside Elementary School District No. 2's basic financial statements. We issued our report thereon dated January 31, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Dobridge & Company, P.C.**

Mesa, Arizona

January 31, 2016

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grantor's Number</b>	<b>Expenditures and Transfers</b>
<b><u>U.S. Department of Agriculture</u></b>			
Indirect:			
Arizona Department of Education:			
Child Nutrition Cluster:			
School Breakfast Programs	10.553	None	\$ 258,496
National School Lunch Programs (donated food)	10.555	None	20,603
National School Lunch Programs (cash assistance)	10.555	None	<u>408,383</u>
Total Child Nutrition Cluster			687,482
Fresh Fruit and Vegetable Program	10.582	None	<u>18,996</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>706,478</u></u>
<b><u>U.S. Department of Education</u></b>			
Indirect:			
Arizona Department of Education:			
Title I Grants Cluster			
Title I Grants	84.010	15FT1TTI-511329-01A	271,957
Title I School Improvement Grant	84.377	15FSISPF-511329-34B	<u>24,709</u>
Total Title I Cluster			<u>296,666</u>
Special Education Cluster:			
Special Education Grants	84.027	15FESCBG-511329-09A	115,443
Special Education Preschool Grants	84.173	15FECCBP-511329-37A	488
High Cost Child Grant	84.027	15FESHCC-511329-68B	<u>242,919</u>
Total Special Education Cluster			<u>358,850</u>
21st Century Community Learning Centers	84.287	15FLCCY2-511329-15A	56,280
English Language Acquisition Grants	84.365	15FELLEP-511329-10A	25,503
Improving Teacher Quality State Grants	84.367	15FT1TII-511329-03A	<u>37,719</u>
<b>Total U.S. Department of Education</b>			<u>775,018</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,481,496</u></u>

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR YEAR ENDED JUNE 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year ended June 30, 2015, as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*.

**NOTE 3 - NON-CASH ASSISTANCE**

Food donations as reported for the Child Nutrition Cluster represents the amount of donated food used during the fiscal year ended June 30, 2015. Commodities are valued at fair value at the time of donation.

**NOTE 4 - MEDICAID REIMBURSEMENTS**

The District received \$1,951 in Medicaid Fee for Service reimbursements during the fiscal year ended June 30, 2015 . However, the Medicaid Fee for Service reimbursements are not considered Federal awards in accordance with OMB Circular A-133, and therefore the related expenditures are not presented in this schedule.

**NOTE 5 - E-RATE FUNDING**

The District received \$115,728 of assistance associated with the E-Rate reimbursement program sponsored by the Federal Communications Commission, passed through the Universal Service Administrative Co. - Schools and Libraries Division. This assistance is not considered Federal awards in accordance with OMB Circular A-133, and therefore the related expenditures are not presented in this schedule.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION I - SUMMARY OF RESULTS**

**As required by United States Office of Management and Budget *Circular A-133*, Section.505, the following is a summary of the results of the audit of Riverside Elementary School District No. 2 for the fiscal year ended June 30, 2015.**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	None Reported

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	None Reported
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with of OMB Circular A-133 (section .510[a])?	None Reported

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	School Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with OMB Circular A-133 (section.315[b])?	Yes
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**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINANCIAL STATEMENT FINDING:**

**2015-001                      Use of School Improvement Bond Proceeds**

**Finding Type                      Material Weakness**

**Finding**

The District expended \$4,445,632 in bond proceeds during fiscal year 2014-15. The expenditure of all bond proceeds are restricted by Arizona Revised Statutes (ARS) 15-491(A)(3). For expenditures to be allowed they should be either directly related to construction or for supplying school buildings with furniture, equipment and technology. It is possible the following expenditures were not in compliance with the restrictions provided by ARS 15-491(A)(3):

- \$91,865.19 in salary and benefits paid to the principal of the new elementary school that is under construction. 100% of total salary paid with bond proceeds.
- \$45,423.12 in salary and benefits paid to the Associate Superintendent. 22% of total salary paid with bond proceeds.
- \$57,262.08 in salary and benefits paid to the Director of Technology. 50% of total salary paid with bond proceeds.
- \$44,877.35 in salary and benefits paid to the Director of Transportation. 46% of total salary paid with bond proceeds.
- \$14,585.53 for related travel to MIT for development of STEM curriculum for new school.
- \$35,100 for technology integration workshop for teachers.

In addition, detailed timesheets, including description of work performed, were not maintained for the employees that were paid on an allocated budget basis from the bond proceeds to ensure the percentage of annual contracted time spent on allowable bond proceed activities was equal to or greater than the percentage of salary paid.

**Criteria**

ARS 15-491(A)(3) provides in part: "the bonds of the school district shall be issued and sold for the purpose of raising money for purchasing or leasing school lots, for building or renovating school buildings, for supplying school buildings with furniture, equipment and technology, for improving school grounds, for purchasing pupil transportation vehicles or for liquidating any indebtedness already incurred for such purposes."

**Cause**

The District made the expenditures based on their review and interpretation of ARS 15-491(A)(3).

**Effect**

If the expenditures are not allowed, the District could be required to pay back the monies from other funds.

**Recommendation**

We recommend the District maintain detailed time records to document the expenditures noted above are in compliance with ARS 15-491(A)(3).

**District Response**

See page 11.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no audit findings identified that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

**RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

**Status of Prior Year Federal Award Findings and Questioned Costs**

No findings noted in the prior year.





RIVERSIDE ELEMENTARY SCHOOL DISTRICT NO. 2  
 "A Highly Excelling School District"  
 1414 S. 51<sup>st</sup> Avenue  
 Phoenix, Arizona 85043

R2 Governing Board



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 President



Mrs. Lucia Perez Del Cid  
 Vice President



Mr. Martin Martinez  
 Member

District Administration



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 Superintendent  
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Mr. Talmadge Tanks  
 Principal  
 Kings Ridge  
 Preparatory Academy  
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[ttanks@riverside.k12.az.us](mailto:ttanks@riverside.k12.az.us)

January 6, 2016

Dobridge and Company PC  
 ATTN: William Dobridge  
 1930 S. Alma School Rd., Suite A-214  
 Mesa, AZ 85210

Ref: **Riverside School District No. 2 Fiscal Year 2015 Audit Finding 2015-001 Response**

Mr. Dobridge:

Pursuant to the Riverside School District No. 2 Fiscal Year 2015 Audit Finding 2015-001, the following "District Response" is submitted.

**Finding 2015-001 - Use of Bond Proceeds**

**Condition:**

"The District expended \$4,445,632 in bond proceeds during fiscal year 2014-15. The expenditure of all bond proceeds are restricted by Arizona Revised Statutes (ARS) 15-491(A)(3). For expenditures to be allowed they should be either directly related to construction or for supplying school buildings with furniture, equipment and technology. It is possible the following expenditures were not in compliance with the restrictions provided by ARS 15-491(A)(3):

- \$91,865.19 in salary and benefits paid to the principal of the new elementary school. 100% of total salary paid with bond proceeds.
- \$45,423.12 in salary and benefits paid to the Associate Superintendent. 22% of total salary paid with bond proceeds.
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- \$44,877.35 in salary and benefits paid to the Director of Transportation. 46% of total salary paid with bond proceeds.
- \$14,585.53 for related travel to MIT for development of STEM curriculum for new school.
- \$35,100 for technology integration workshop for teachers.

In addition, detailed timesheets, including description of work performed, were not maintained for the employees that were paid on an allocated budget basis from the bond proceeds to ensure the percentage of annual contracted time spent on allowable bond proceed activities was equal to or greater than the percentage of salary paid."

**Response:** *It is the District's understanding and determination that all bond proceeds expenditures in question and as outlined in the finding are within the restrictions of A.R.S. §15-491(A)(3), and therefore, allowable as "directly related to construction or supplying school buildings with furniture, equipment and technology."*



Furthermore, the District in good faith followed the Uniformed System of Financial Records (USFR), page III-A-4 – Cost Allocation, as guidance to cost allocate the respective salary and benefit percentages of bond proceeds expenditures. The commonly used allocation basis used, to allocate specifically assignable expenditures for which actual cost apportionment is not easily determinable, was the Allocated Budget Basis based on estimated time spent, estimated number of “bond proceeds” related projects, respective length of project completion duration periods and complexity of project. Estimated and completed bond proceeds related projects lists with duration periods are maintained by the District’s Project Manager.

At auditor’s request, the District obtained, and provided to auditor, attorney ‘Legal Opinion Concerning Use of Bond Proceeds,’ file No. 019221-00177, dated December 9, 2015 from Gust Rosenfeld attorney firm to further affirm (“*may use school bond proceeds to pay salaries of district employees who perform administrative oversight work on construction projects authorized by the voter approved bond measure, and related expenses pertaining to administrative oversight*”) the bond proceeds expenditures in question are allowable and in compliance with A.R.S. §15-491(A)(3). Additionally, respective employee governing board approved and employee signed job descriptions were provided to auditor to further substantiate the use of bond proceeds for each respective employee’s administrative construction oversight job duties and responsibilities.

**Points of clarification to finding expenditures in question, employee titles referenced and respective roles:**

- **Principal of new elementary school – correct title is Planning Principal and Site Construction Manager**

*From a School Principal’s perspective and in coordination provide and implement integration of align student education needs to the design, development and construction Oversees the process of design, selection, installation, and purchasing for fixture, furniture and equipment, and technology as it pertains to student needs, safety, and State educational requirements.*

1. *Investigate and communicate the latest junior high school design, development and construction integration methods from a planning principal’s perspective (MIT University visit “travel”).*
2. *Assist in the inventory, purchasing and implementation of STEM fixture, furniture, technology and related lab equipment for the third school site (MIT STEM Magnet JH).*
3. *Liaise with the architect on design throughout the construction phase, including design by specialist contractors.*
4. *Perform other job-related duties as assigned by the Superintendent and/or Project Manager.*

**TERMS OF EMPLOYMENT:** *Twelve-month, Administrative-Exempt; benefits in accordance with Board policies. Position to last a maximum of two (2) years or until*





*substantial completion of third school site, whichever comes first as determined by the district-wide construction project manager (Mr. Gutierrez) and District Superintendent*

- **Associate Superintendent – Associate Superintendent for District-wide Construction Oversight**

- 1 *Provide the school board with facts to assist its members in the multiple decisions a building program entails.*
- 2 *Conveys to the architect a clear, concise statement of the educational specifications to be fulfilled in the building.*
- 3 *Provides leadership in long-range planning of all bond and capital projects district-wide.*
- 4 *Oversees District Architect and General Contractor.*
- 5 *Oversee the planning, construction, and implementation of all bond and capital projects.*
- 6 *Oversee all negotiated bond and capital project contracts.*
- 7 *Oversee all district-wide renovations, remodels, etc.*

- **Director of Technology - correct title Director of Technology & Technology Infrastructure Construction**

*Oversight and coordination of the design, selection, installation, and purchasing of technology equipment, infrastructure, and renovations to existing technology hardware, furniture and equipment.*

- **Director of Transportation – correct title Supervisor of Maintenance, Transportation and Site Construction**

*Oversight and coordination of district-wide improvements and additions to existing and new facilities and grounds. Oversees district-wide additions to existing facilities and grounds process of design, selection, installation, and purchasing of maintenance equipment, busses, fixture, furniture and equipment, as it pertains to student needs, safety, and DPS requirements.*

- **Travel expenditures**

**Planning and Design of New Construction:** *related expense pertaining to administrative oversight. Construction or acquisition of such improvements, together with all necessary incidental costs related thereto. Architectural design and planning are the 1<sup>st</sup> stages and integral part of construction. Career and college readiness standards require that all schools prepare students for college. This has become a high priority in many schools as parents, business leaders, and politicians emphasize the importance of a highly educated workforce and citizenry. It is well documented that preparing student for college begins at the elementary level. The purpose of the visit “travel” to MIT and Harvard*



University's was to explore today's most creative design approaches to building STEM school facilities. This includes, but is not limited, to selecting and determining school lab designs, technology infrastructure, forensic science facility requirements, STEM equipment, and STEM furniture. It is extremely apparent that the visit to MIT in Massachusetts was the catalyst for naming our school MIT.

- **Training Expenditures**

*Purchase of technology equipment and infrastructure. Student technology improvements (includes equipment, internet, technical support and training of bond purchased equipment). The purchase of technology equipment requires the training on how to use the equipment. Such training costs are part of the equipment purchase. This is standard practice.*

**Additional Reference:**

**Voter Approved Proposed Capital Improvements** (Page 10 of Voter's Information Pamphlet – November 2011 – All costs "Reflects estimates for construction or acquisition of such improvement, together with all necessary incidental costs related thereto." - Voter Pamphlet pg. 10 (a)):

***Non-Administrative Purposes***

1. *New school construction, additions, renovations and/or improvements to new and upgrades*
2. *Student technology improvements (includes equipment and internal access), school furniture and textbooks*
3. *Pupil transportation vehicles*

***Administrative Purposes***

4. *Transportation, maintenance and warehouse facilities*
5. *Technology and furniture upgrades. and training of bond purchased equipment)*

**Criteria (of Finding)**

ARS 15-491(A)(3) provides in part: "the bonds of the school district shall be issued and sold for the purpose of raising money for purchasing or leasing school lots, for building or renovating school buildings, for supplying school buildings with furniture, equipment and technology, for improving school grounds, for purchasing pupil transportation vehicles or for liquidating any indebtedness already incurred for such purposes."

**Response:** Refer to provided Gust Rosenfeld 'Legal Opinion Concerning Use of Bond Proceeds,' file No. 019221-00177, dated December 9, 2015.





### **Cause (of Finding)**

The District made the expenditures based on their review and interpretation of ARS 15-491(A)(3).

**Response:** *The District in good faith made bond proceeds expenditures based on its own review and interpretation to respective bond A.R.S.'s, USFR, attorney's verbal guidance (prior to requesting written opinion) and other school districts practices.*

### **Effect (of Finding)**

If the expenditures are not allowed the District could be required to pay back the monies from other funds.

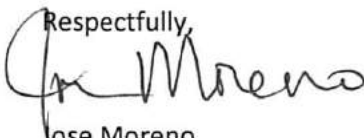
**Response:** *Refer to provided Gust Rosenfeld 'Legal Opinion Concerning Use of Bond Proceeds,' file No. 019221-00177, dated December 9, 2015 - Expenditures are allowed and in compliance with A.R.S. §15-491(A)(3).*

### **Recommendation (of Finding)**

We recommend the District obtain an opinion from an attorney regarding the expenditures noted above and if they are in compliance with ARS 15-491(A)(3).

**Response:** *Refer to auditor requested and provided Gust Rosenfeld 'Legal Opinion Concerning Use of Bond Proceeds,' file No. 019221-00177, dated December 9, 2015 - Expenditures are in compliance with A.R.S. §15-491(A)(3).*

Please do not hesitate to contact me at telephone (602) 477-8920 or email [jmoreno@riverside.l12.az.us](mailto:jmoreno@riverside.l12.az.us), should you have any questions or need additional clarification.

Respectfully,  


Jose Moreno  
Executive Director of Business Services