

**PIMA COUNTY SCHOOL RESERVE FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Issued by:
Pima County School Superintendent's Office

PIMA COUNTY SCHOOL RESERVE FUND

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INTRODUCTORY SECTION

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Linda Arzoumanian, Ed.D.
Pima County School Superintendent

Debbie D'Amore
Chief Deputy

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October 29, 2010

Board of Supervisors
Pima County, Arizona

The Pima County School Reserve Fund, a fund of Pima County, Arizona, has published a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Pima County School Reserve Fund (Reserve) for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the Reserve. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Reserve has established a comprehensive internal control framework that is designed both to protect the Reserve's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Reserve's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Reserve's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Reserve's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Reserve for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Reserve's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Pima County School Reserve Fund's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE RESERVE

Pima County School Reserve Fund is under the direction of the Pima County School Superintendent's Office. The Pima County School Superintendent is an elected official authorized by statute to perform a variety of duties for school districts. The County School Superintendent's Office is a unit of Pima County, Arizona.

The Reserve is comprised of Pima Special Programs No. 99, which functions primarily as the Pima County Educational Service Agency ("ESA"). Arizona county school superintendents are designated as educational services agencies. ESAs are authorized under A.R.S. §15-301(C) to provide programs and services to school districts and charter schools within each county. Additionally, the ESA may receive and spend local, state, and federal monies to provide such programs. These programs generally extend beyond the boundaries of individual school districts. A.R.S. §15-365 authorizes some of these projects to be operated as a consortium of school districts formed to ensure that students, parents, teachers, and other community members are provided appropriate educational programs. These programs may also be developed in response to federal, state, or local mandates upon school districts and charter schools so that they are accomplished more efficiently and economically as multidistrict operations.

The other major component unit of the Reserve is the Pima Accommodation School District No. 00 ("District"). A.R.S. §15-913 requires a county school superintendent to provide an education program for incarcerated school-aged youth. A.R.S. §15-913.01 also requires the District to provide special education services to individuals between the ages of 18-21 that are identified as having a special learning need.

The activity of the Pima County School Reserve Fund is centered around the economy of Pima County, which directly relates to the county's population growth. As of July 1, 2009, the population of Pima County was 1,020,200, which accounts for 15% of the State of Arizona's estimated population of 6,595,778. This makes Pima County the second most populated county in Arizona and the State of Arizona is the 14th most populated state in the nation. Pima was the 41st most rapidly growing county from 2008 to 2009. The City of Tucson encompasses approximately 227.62 square miles of Pima County's 9,186 square miles and with its July 2008 population of 543,910 accounted for 53% of the total Pima County population. Tucson is the second largest city in Arizona and is the 30th largest city in the United States.

The annual expenditure budget serves as the foundation for the Reserve's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the Board of Supervisors.

The expenditure budget is prepared by fund for all Governmental Funds, and includes function and object code detail for the General Fund and some Special Revenue and Capital Projects Funds. The legal level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the individual fund level for the funds included in the Pima Accommodation District. The Reserve is not required to prepare an annual budget of revenue, therefore a deficit budgeted fund balance may be presented. However, this does not affect the Reserve's ability to expend monies. Funds that are not required to legally adopt a budget may have overexpenditures of budgeted funds. The budget for these funds is simply an estimate and does not prevent the Reserve from exceeding the budget as long as the necessary revenue is earned.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Reserve operates.

Local Economy. The Reserve does not receive property taxes and cannot incur bonded debt. All revenues are from state and federal aid and state and federal grants and reimbursements. Because the revenues received by the Reserve are heavily reliant upon the economic well-being of the state or the federal government, any negative changes to these revenues can lead to potentially negative shifts for the Reserve as well. During the latest legislative session, the Legislature enacted changes that had some impact upon the Reserve. Several grants that were initially funded were reduced or eliminated by the State. In addition, the Reserve did receive funds from the *American Recovery and Reinvestment Act of 2009 (ARRA)* that allowed operations to continue unchanged. It also provided additional support to the Reserve's special education programs for students. These ARRA funds are set to expire in fiscal year 2011, which may result in cuts from the State to fill the gap left by this one-time infusion of federal dollars. The changes in the economic conditions of the State and County will create a direct effect on the financial stability of the Reserve.

Long-Term Financial Planning. The continued provision of educational services at the Pima Accommodation District will continue to be the highest priority for the Reserve. As resources become more contracted through decreasing State revenues, the Reserve will continue to examine the services provided for students as well as districts and charters. The Reserve has a dual role of ensuring the proper education of students who are a part of the Accommodation District, while also providing both academic and professional development services to school districts and charters. The fee for service functions of the Reserve will have a more comprehensive review to determine needs of school districts and charters to align services more closely to the current needs of these constituent groups. Because these groups are subject to the same constraints in revenues available for both mandatory and discretionary spending on programs and services, it is imperative to have a frank discussion and evaluation on the services provided now and in the future by the Reserve.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the Reserve for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the seventeenth consecutive year that the Reserve has received this prestigious award. In order to be awarded this certificate, the Reserve published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

This certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the program's requirements and we are submitting it to ASBO to determine its eligibility for the fiscal year 2009-10 certificate.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the County School Superintendent's Office. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Linda Arzoumanian, Ed.D.
County School Superintendent



Ricardo D. Hernández, M.Adm.
Chief Financial Officer

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

PIMA COUNTY SCHOOL RESERVE FUND

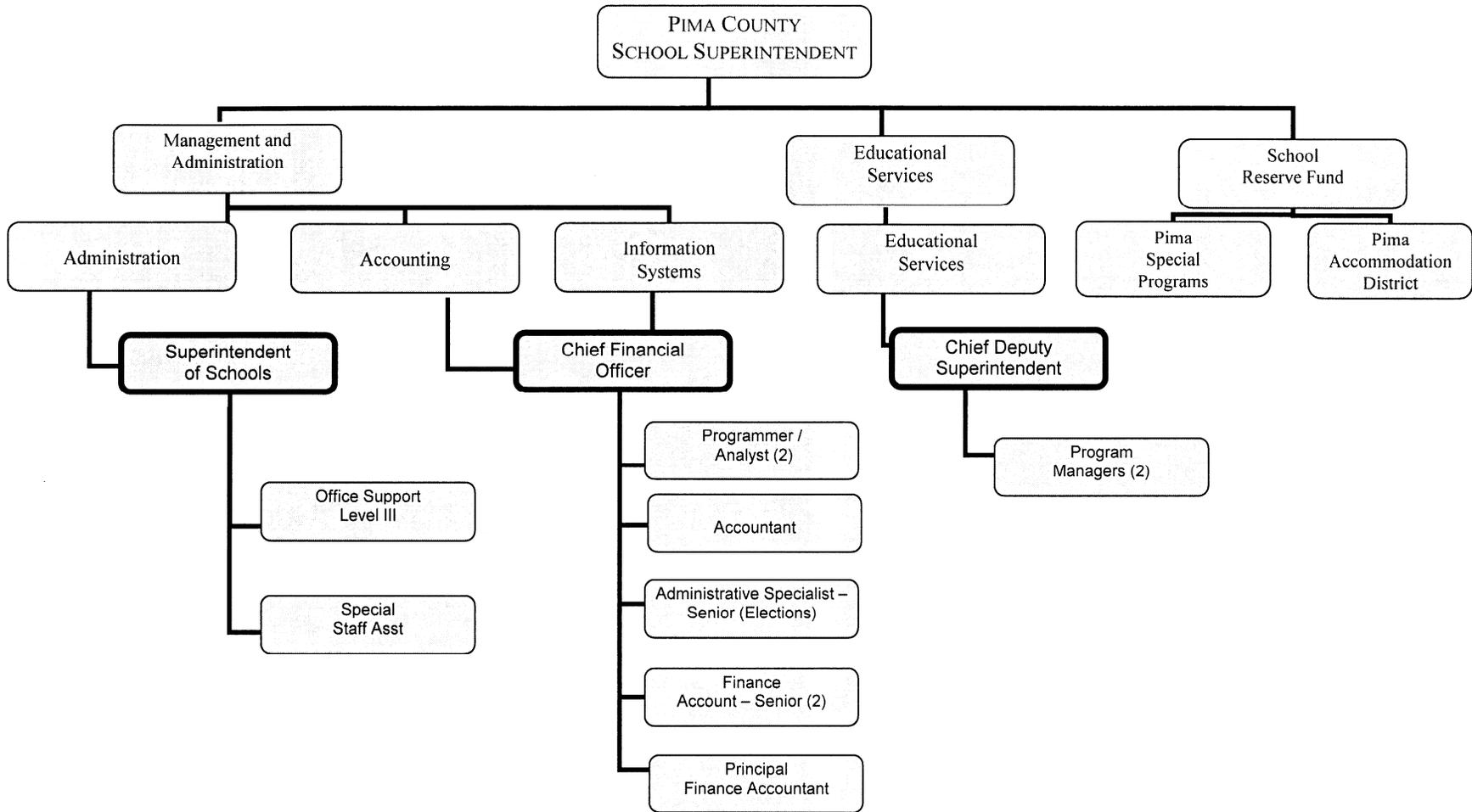
For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



1A

**Pima County School Reserve Fund
Organizational Chart
Fiscal Year Ended June 30, 2010**

PIMA COUNTY SCHOOL RESERVE FUND

LIST OF PRINCIPAL OFFICIALS

COUNTY BOARD OF SUPERVISORS

Ann Day, District #1

Ramon Valadez, District #2

Sharon Bronson, District #3

Ray Carroll, District #4

Richard Elias, District #5

ADMINISTRATIVE STAFF

Linda Arzoumanian, Ed.D., Pima County School Superintendent

Debbie D'Amore, Chief Deputy

Ricardo D. Hernández, Chief Financial Officer

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FINANCIAL SECTION

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

The Board of Supervisors of Pima County, Arizona
Pima County School Reserve Fund

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund (Reserve), a governmental fund of Pima County, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Reserve's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pima County School Reserve Fund's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Pima County School Reserve Fund are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Pima County, Arizona that is attributable to the Pima County School Reserve Fund, a governmental fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2010, or the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 the Pima County School Reserve Fund, a governmental fund of Pima County, Arizona as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Reserve implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the Pima County School Reserve Fund'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 46 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reserve's financial statements as a whole. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 29, 2010

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

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**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

As management of the Pima County School Reserve Fund (Reserve), we offer readers of the Reserve's financial statements this narrative overview and analysis of the financial activities of the Reserve for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The Reserve's total net assets of governmental activities decreased \$256,817 which represents a 10 percent decrease from the prior fiscal year primarily due to utilization prior year cash balances to fund current year expenses.
- General revenues accounted for \$934,662 in revenue, or 23 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3.2 million or 77 percent of total current fiscal year revenues.
- The Reserve had approximately \$4.4 million in expenses related to governmental activities, an increase of 8 percent from the prior fiscal year primarily due to increased operation and maintenance of plant services costs.
- Among major funds, the General Fund had \$735,197 in current fiscal year revenues, which primarily consisted of state aid, and \$754,931 in expenditures. The General Fund's fund balance increased from \$48,646 at the prior fiscal year end, to \$116,784 at the end of the current fiscal year.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Reserve's basic financial statements. The Reserve's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Reserve's finances, in a manner similar to a private-sector business. Although not required by reporting standards, the Reserve has elected to present government-wide financial statements in order to offer readers a financial statement format consistent with the school districts for which it provides services.

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

The statement of activities presents information showing how the Reserve's net assets changed during the most recent fiscal year. All changes in net assets 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., unused compensated absences).

The government-wide financial statements outline functions of the Reserve that are principally supported by intergovernmental revenues. The governmental activities of the Reserve include instruction, support services, operation and maintenance of plant services, and student transportation services, and operation of non-instructional services. The accrual basis of accounting is used for the government-wide financial statements.

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 Reserve represents a single governmental fund of Pima County, Arizona; however, the Reserve itself uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Reserve 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 government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Reserve's near-term financing requirements.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Reserve's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Professional Development and Technology Grants, Vocational Education, Other Federal Projects, School Plant, Small Schools, Fee for Service Program, and Administrative Costs Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Reserve. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Reserve's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-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 Reserve's budget process. The Reserve adopts an annual expenditure budget for all governmental funds included in the Pima Accommodation District. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Reserve, assets exceeded liabilities by \$2.2 million at the current fiscal year end.

The investment in capital assets (e.g. land improvements; buildings and improvements; vehicles, furniture, and equipment) comprises 19 percent of the Reserve's net assets. The Reserve does not have any debt related to the acquisition of assets. In addition, a portion of the Reserve's net assets (14 percent) are restricted by statute for the specified purpose of capital outlay investment.

The following table presents a summary of the Reserve's net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Current assets	\$ 2,104,276	\$ 2,246,170
Capital assets, net	424,143	440,592
Total assets, net	<u>2,528,419</u>	<u>2,686,762</u>
Current liabilities	270,801	197,828
Long-term liabilities	59,455	33,954
Total liabilities	<u>330,256</u>	<u>231,782</u>
Net assets:		
Invested in capital assets	424,143	440,592
Restricted	301,828	469,682
Unrestricted	1,472,192	1,544,706
Total net assets	<u>\$ 2,198,163</u>	<u>\$ 2,454,980</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

At the end of the current fiscal year the District reported positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

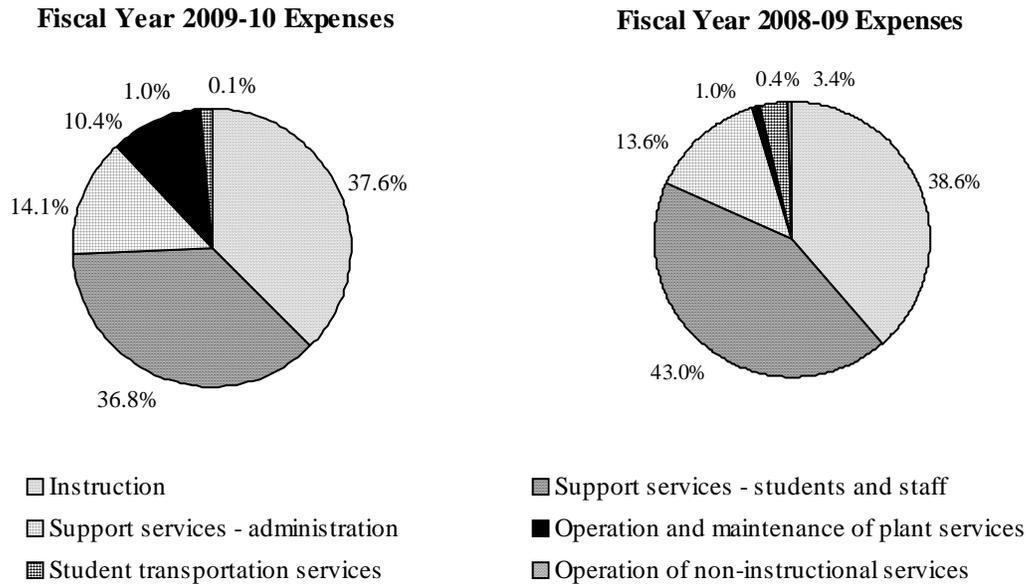
The Reserve's financial position is the product of several financial transactions including the net result of activities, the acquisition of capital assets, and the depreciation of capital assets.

Changes in net assets. The Reserve's total revenues for the current fiscal year were \$4.1 million. The total cost of all programs and services was \$4.4 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	<u>Fiscal Year Ended June 30, 2010</u>	<u>Fiscal Year Ended June 30, 2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 620,116	\$ 520,737
Operating grants and contributions	2,561,465	2,163,603
Capital grants and contributions	14,325	33,206
General revenues:		
Investment income	30,167	40,458
Unrestricted county aid	48,652	
Unrestricted state aid	757,581	1,137,864
Unrestricted federal aid	98,262	9,789
Total revenues	<u>4,130,568</u>	<u>3,905,657</u>
Expenses:		
Instruction	1,650,752	1,572,024
Support services – students and staff	2,001,296	1,752,237
Support services – administration	635,588	552,864
Operation and maintenance of plant services	38,236	39,444
Student transportation services	58,115	138,358
Operation of non-instructional services	3,398	17,844
Total expenses	<u>4,387,385</u>	<u>4,072,771</u>
Change in net assets	<u>\$ (256,817)</u>	<u>\$ (167,114)</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)



The following are significant current year transactions that have had an impact on the change in net assets.

- The increase of \$99,379 in charges for services was due primarily to increased revenue in the Administrative Costs Fund for administrative costs related to the processing of federal revenue received by Pima County school districts as a result of the American Recovery and Reinvestment Act (ARRA).
- The increase of \$397,862 in operating grants and contributions was due to an increase in federal grants received for elementary and secondary school counseling grants during the current fiscal year.
- The decrease of \$380,283 in unrestricted state aid was due to state budget cuts and withholding of state equalization payments.
- The increase of \$88,473 in unrestricted federal aid was a result of state fiscal stabilization funds received to help supplement the loss of state funding.
- The increase of \$249,059 in support services – students and staff was due to the receipt of a new federal award for school counseling programs.
- The increase of \$82,724 in support services – administration was due to reclassification of expenses from the prior fiscal year.
- The decrease in student transportation of \$80,243 was due to a reduction in personnel salaries and benefits and a decrease in equipment purchases.

The following table presents the cost of the six major Reserve functional activities: instruction, support services – students and staff, support services – administration, operation and maintenance of plant services, student transportation services, and operation of non-instructional services. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State by each of these functions.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

	<u>Year Ended June 30, 2010</u>		<u>Year Ended June 30, 2009</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$1,650,752	\$ (684,636)	\$ 1,572,024	\$ (764,128)
Support services – students and staff	2,001,296	(223,370)	1,752,237	(188,151)
Support services – administration	635,588	(183,724)	552,864	(213,664)
Operation and maintenance of plant services	38,236	(38,236)	39,444	(33,080)
Student transportation services	58,115	(58,115)	138,358	(138,358)
Operation of non-instructional services	3,398	(3,398)	17,844	(17,844)
Total	<u>\$4,387,385</u>	<u>\$(1,191,479)</u>	<u>\$ 4,072,771</u>	<u>\$ (1,355,225)</u>

- The cost of all governmental activities this year was \$4.4 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$3.2 million.
- Net cost of governmental activities of \$1.2 million was financed by general revenues, which are made up primarily of state aid of \$757,581.

FINANCIAL ANALYSIS OF THE RESERVE'S FUNDS

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

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

The financial performance of the Reserve as a whole is reflected in its governmental funds. As the Reserve completed the year, its governmental funds reported a combined fund balance of \$1.8 million, a decrease of \$214,867 due primarily to the utilization of fund balance for current year expenditures due to the loss of state funding during the fiscal year.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE RESERVE'S FUNDS (Concl'd)

The fund balance increased \$68,138 in the General Fund to \$116,784 as of fiscal year end primarily due to transfers in from non major governmental funds as described in Note 7. General Fund revenues decreased \$213,286 as a result of decreased state equalization revenue due to state budget cuts and withholding of state equalization payments. General Fund expenditures decreased \$187,561 due to a reduction in student transportation services as a result of the elimination of one bus driver position and a decrease in purchases of bus equipment.

The Professional Development and Technology Grants Fund revenues increased \$103,546 from the prior fiscal year. The Other Federal Projects Fund revenues increased \$302,613 as a result of increased elementary and secondary school counseling grants. The Administrative Cost Fund revenues and balance increased \$112,712 and \$64,184, respectively as a result of additional revenue received by Pima County school districts for administrative costs as a result of the *American Recovery and Reinvestment Act (ARRA)*. The School Plant Fund expenditures increased \$98,653 as a result of authorization by management to use funds as authorized by state statute. The Small Schools Fund expenditures increased \$50,630 primarily due to technology upgrades.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Reserve revised the General Fund annual expenditure budget due to additional revenues for growth in students identified as special education. The difference between the original budget and the final amended budget was a \$72,766 increase, or 8 percent.

The revenue budget for the General Fund was not revised; therefore, significant variances for the final amended budget and actual revenues resulted. A schedule showing the original and final budget amounts compared to the Reserve's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The unfavorable variance of \$183,205 in state aid and grants was a result of funding which was not received during the fiscal year due to state budget cuts.
- The favorable variance of \$275,773 in instruction was a result of reduction in expenditures throughout the school.
- The favorable variance of \$57,806 was a result of reduction in expenditures throughout the school.
- The unfavorable variance of \$102,942 in support services – administration was a result of an under-appropriation budgetary capacity necessary for the whole fiscal year.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the Reserve had invested \$891,197 in capital assets, including land improvements, buildings, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$20,005 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$59,928. The net capital asset balance was \$424,143 at June 30, 2010, and \$440,592 at June 30, 2009. The Reserve has no non-depreciable capital assets. Additional information on the Reserve's capital assets can be found in Note 6.

Debt Administration. At year end, the Reserve had no outstanding general obligation debt. Additional information on the Reserve's long-term liabilities can be found in Note 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the Reserve's administration during the process of developing the fiscal year 2010-11 budget. Among them:

- Available fiscal year 2009-10 budget balance carry forward.
- Student population in the Jail and Detention Center.
- Employee salaries.
- Increased health insurance costs.

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

These indicators were considered when adopting the budget for fiscal year 2010-11. Budgeted expenditures in the General Fund decreased 17 percent to \$821,439 in fiscal year 2010-11. The primary reason for the decrease is attributable to an adjustment made to the small schools due to low attendance. State aid is expected to be the primary funding source. No new programs were added to the 2010-11 budget.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

CONTACTING THE RESERVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Reserve's finances and to demonstrate the Reserve's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Pima County School Superintendent's Office, Pima County School Reserve Fund, 130 West Congress Street 4th Floor, Tucson, Arizona 85701.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,514,510
Accounts receivable	49,381
Due from governmental entities	540,385
Total current assets	2,104,276
Noncurrent assets:	
Land improvements	36,466
Buildings and improvements	151,880
Vehicles, furniture and equipment	702,851
Accumulated depreciation	(467,054)
Total noncurrent assets	424,143
Total assets	2,528,419
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	93,043
Accrued payroll and employee benefits	172,226
Compensated absences payable	28,727
Unearned revenues	5,532
Total current liabilities	299,528
Noncurrent liabilities:	
Non-current portion of long-term obligations	30,728
Total non-current liabilities	30,728
Total liabilities	330,256
 <u>NET ASSETS</u>	
Invested in capital assets	424,143
Restricted for:	
Capital outlay	301,828
Unrestricted	1,472,192
Total net assets	\$ 2,198,163

The notes to the financial statements are an integral part of this statement.

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 1,650,752	\$ 356	\$ 951,435	\$ 14,325	\$ (684,636)
Support services - students and staff	2,001,296	398,283	1,379,643		(223,370)
Support services - administration	635,588	221,477	230,387		(183,724)
Operation and maintenance of plant services	38,236				(38,236)
Student transportation services	58,115				(58,115)
Operation of non-instructional services	3,398				(3,398)
Total governmental activities	\$ 4,387,385	\$ 620,116	\$ 2,561,465	\$ 14,325	(1,191,479)
General revenues:					
					30,167
					48,652
					757,581
					98,262
					934,662
					(256,817)
					2,454,980
					\$ 2,198,163

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Professional Development and Technology Grants</u>	<u>Vocational Education</u>
<u>ASSETS</u>			
Cash and investments	\$	\$	\$
Accounts receivable			
Due from governmental entities	278,573	66,806	54,478
Due from other funds			
Total assets	<u>\$ 278,573</u>	<u>\$ 66,806</u>	<u>\$ 54,478</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$ 12,274	\$
Due to other funds	130,227	39,320	43,499
Accrued payroll and employee benefits	31,562	15,212	10,979
Deferred revenues			
Total liabilities	<u>161,789</u>	<u>66,806</u>	<u>54,478</u>
Fund balances:			
Nonspendable			
Restricted			
Committed			
Assigned	62,129		
Unassigned	54,655		
Total fund balances	<u>116,784</u>		
Total liabilities and fund balances	<u>\$ 278,573</u>	<u>\$ 66,806</u>	<u>\$ 54,478</u>

The notes to the financial statements are an integral part of this statement.

<u>Other Federal Projects</u>	<u>School Plant</u>	<u>Small Schools</u>	<u>Fee for Service Program</u>	<u>Administrative Costs</u>	<u>Non-Major Governmental Funds</u>
\$ 54,576	\$ 228,736	\$ 235,087	\$ 156,534	\$ 333,814	\$ 505,763
13,498		15,000	18,504	75,847	15,877
	227,078				51,183
<u>\$ 68,074</u>	<u>\$ 455,814</u>	<u>\$ 250,087</u>	<u>\$ 175,038</u>	<u>\$ 409,661</u>	<u>\$ 572,823</u>
\$ 31,458	\$	\$	\$ 13,892	\$	\$ 35,419
31,624		3,494	13,250	5,067	14,032
<u>63,082</u>	<u></u>	<u>3,494</u>	<u>27,142</u>	<u>5,067</u>	<u>61,038</u>
					5,532
4,992	455,814				116,021
		246,593	147,896	404,594	438,622
<u>4,992</u>	<u>455,814</u>	<u>246,593</u>	<u>147,896</u>	<u>404,594</u>	<u>18,180</u>
<u>\$ 68,074</u>	<u>\$ 455,814</u>	<u>\$ 250,087</u>	<u>\$ 175,038</u>	<u>\$ 409,661</u>	<u>\$ 572,823</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2010

(Concluded)

	Total Governmental Funds
<u>ASSETS</u>	
Cash and investments	\$ 1,514,510
Accounts receivable	49,381
Due from governmental entities	540,385
Due from other funds	227,078
Total assets	\$ 2,331,354
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 93,043
Due to other funds	227,078
Accrued payroll and employee benefits	172,226
Deferred revenues	5,532
Total liabilities	497,879
Fund balances:	
Nonspendable	
Restricted	899,428
Committed	
Assigned	879,392
Unassigned	54,655
Total fund balances	1,833,475
Total liabilities and fund balances	\$ 2,331,354

The notes to the financial statements are an integral part of this statement.

**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total governmental fund balances **\$ 1,833,475**

Amounts reported for *governmental activities* in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 891,197	
Less accumulated depreciation	<u>(467,054)</u>	424,143

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(59,455)</u>
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Net assets of governmental activities **\$ 2,198,163**

The notes to the financial statements are an integral part of this statement.

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	General	Professional Development and Technology Grants	Vocational Education
Revenues:			
Other local	\$ 44,698	\$	\$
State aid and grants	599,766		
Federal aid, grants and reimbursements	90,733	1,199,465	200,902
Total revenues	<u>735,197</u>	<u>1,199,465</u>	<u>200,902</u>
Expenditures:			
Current -			
Instruction	518,736	769,355	1,374
Support services - students and staff	9,886	278,017	199,150
Support services - administration	213,942	140,020	
Operation and maintenance of plant services	9,294	1,248	
Student transportation services	3,073		
Capital outlay		10,825	378
Total expenditures	<u>754,931</u>	<u>1,199,465</u>	<u>200,902</u>
Excess (deficiency) of revenues over expenditures	<u>(19,734)</u>		
Other financing sources (uses):			
Transfer in	87,872		
Transfer out			
Total other financing sources (uses)	<u>87,872</u>		
Changes in fund balances	<u>68,138</u>		
Fund balances, beginning of year	48,646	4,343	4,317
(Decrease) in reserve for prepaid items		(4,343)	(4,317)
Fund balances, end of year	<u>\$ 116,784</u>	<u>\$</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

Other Federal Projects	School Plant	Small Schools	Fee for Service Program	Administrative Costs	Non-Major Governmental Funds
\$	\$ 6,748	\$ 3,405	\$ 400,445	\$ 225,338	\$ 70,022
		93,300			68,731
611,876					515,139
<u>611,876</u>	<u>6,748</u>	<u>96,705</u>	<u>400,445</u>	<u>225,338</u>	<u>653,892</u>
37,751		240			207,670
506,622	7,065	11,219	413,718	110,249	409,868
80,047	9,457	97,603	16,685	41,848	12,599
	899	3,646	5,789	4,151	1,361
		837			
3,122	81,232	12,056	339	4,906	100,498
<u>627,542</u>	<u>98,653</u>	<u>125,601</u>	<u>436,531</u>	<u>161,154</u>	<u>731,996</u>
(15,666)	(91,905)	(28,896)	(36,086)	64,184	(78,104)
20,658			31,481		(140,011)
<u>20,658</u>			<u>31,481</u>		<u>(140,011)</u>
4,992	(91,905)	(28,896)	(4,605)	64,184	(218,115)
	547,719	275,489	152,501	340,410	674,917
<u>\$ 4,992</u>	<u>\$ 455,814</u>	<u>\$ 246,593</u>	<u>\$ 147,896</u>	<u>\$ 404,594</u>	<u>\$ 456,802</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)**

	Total Governmental Funds
Revenues:	
Other local	\$ 750,656
State aid and grants	761,797
Federal aid, grants and reimbursements	2,618,115
Total revenues	4,130,568
Expenditures:	
Current -	
Instruction	1,535,126
Support services - students and staff	1,945,794
Support services - administration	612,201
Operation and maintenance of plant services	26,388
Student transportation services	3,910
Capital outlay	213,356
Total expenditures	4,336,775
Excess (deficiency) of revenues over expenditures	(206,207)
Other financing sources (uses):	
Transfer in	140,011
Transfer out	(140,011)
Total other financing sources (uses)	
Changes in fund balances	(206,207)
Fund balances, beginning of year	2,048,342
(Decrease) in reserve for prepaid items	(8,660)
Fund balances, end of year	\$ 1,833,475

The notes to the financial statements are an integral part of this statement.

**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net changes in fund balances - total governmental funds **\$ (214,867)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 43,479	
Less accumulated depreciation	<u>(59,928)</u>	(16,449)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(25,501)</u>
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Change in net assets in governmental activities **\$ (256,817)**

The notes to the financial statements are an integral part of this statement.

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 22,065
Total assets	<u>\$ 22,065</u>
<u>LIABILITIES</u>	
Accounts payable	15,000
Deposits held for others	7,065
Total liabilities	<u>\$ 22,065</u>

The notes to the financial statements are an integral part of this statement.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pima County School Reserve Fund (Reserve) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Reserve's accounting policies are described below.

A. Reporting Entity

The Reserve is a fund of Pima County, Arizona. The Pima County School Superintendent is an elected official authorized by statute to perform a variety of duties for school districts. Pima County School Reserve Fund is under the direction of the Pima County School Superintendent's Office, which provides educational assistance to the schools and residents of Pima County. The Office also functions as fiscal agent/project director for numerous educational programs that extend beyond the boundaries of individual school districts. Some of these projects are strong consortium efforts of school districts in order to ensure that under-served youth are provided an appropriate educational program. Other projects are developed in response to Federal, State and local agency concerns regarding unserved school-age youth in Pima County. In addition, the Reserve includes an accommodation school program for incarcerated school-age youth.

For financial reporting purposes, the financial statements of the Reserve are included in a special revenue fund of Pima County, Arizona. Ultimate fiscal responsibility of the Reserve remains with Pima County, Arizona.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Reserve as a whole. Although not required by reporting standards, the Reserve has elected to present government-wide financial statements in order to offer readers a financial statement format consistent with the school districts for which it provides services. The reported information includes all of the activities of the Reserve. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Reserve. 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 for support. The Reserve does not have any business-type activities.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted Federal, State and County aid, and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and 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. 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 effects of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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 Reserve 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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. 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. Deferred revenues arise when resources are received by the Reserve before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the Reserve's policy to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Reserve reports the following major governmental funds:

General Fund – The General Fund accounts for all resources used to finance Reserve maintenance and operation except those required to be accounted for in other funds. It is described as the Maintenance and Operation Fund by A.R.S.

Professional Development and Technology Grants Fund – The Professional Development and Technology Grants Fund accounts for financial assistance received to increase student academic achievement through improving teacher quality.

Vocational Education Fund – The Vocational Education Fund accounts for financial assistance for preparation of individuals for employment or advancement in a career not requiring a baccalaureate or advanced degree.

Other Federal Projects Fund – The Other Federal Projects Fund accounts for financial assistance received for other supplemental federal projects.

School Plant Fund – The School Plant Fund accounts for proceeds from the sale or lease of school property.

Small Schools Fund – The Small Schools Fund accounts for programs designed to meet the special needs of school districts with a total student count of fewer than six hundred in such areas as administrative assistance and specialized services.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fee for Service Program Fund – The Fee for Service Program Fund accounts for monies received to operate workshops and other programs.

Administrative Costs Fund – The Administrative Costs Fund accounts for monies received from other districts and transferred from Federal, State, and local projects for administrative costs.

Additionally, the Reserve reports the following fund type:

Fiduciary Funds – The Fiduciary Funds are Agency Funds which account for employee withholdings before the monies are remitted to the appropriate entities.

The Agency funds are custodial in nature and do not have a measurement focus and are reported on the accrual basis of accounting. The agency funds are reported by fund type.

D. Cash and Investments

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

E. Investment Income

Investment income is included in other local revenue and is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are offset by a reserve of fund balance.

G. Inventory

Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Inventories on hand at year end were immaterial and therefore not included on the fund or government-wide financial statements.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Capital Assets

Capital assets, which include land and improvements; buildings and improvements; and vehicles, furniture, and equipment; are reported in the government-wide financial statements.

The Reserve capitalizes all land. All other capital assets are defined by the Reserve as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. 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 the life of the asset are not capitalized.

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

Land improvements	15-20 years
Buildings and improvements	10-50 years
Vehicles, furniture and equipment	5-20 years

I. Compensated Absences

The Reserve's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The Reserve's employees earn twelve to twenty-one days of annual leave each year. Employees are paid up to the equivalent of one year's accrual annual leave upon termination. Employees earn six to twelve days of sick leave each year. Accumulated sick leave is forfeited upon termination. A maximum of thirty days of sick leave may be carried forward to a subsequent fiscal year. The current and long-term liabilities, including related benefits, for accumulated vacation is reported on the government-wide financial statements. A liability for these amounts 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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Reserve is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Reserve to assess, levy, charge, or otherwise mandates payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Reserve can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Supervisors. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Supervisors, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Reserve for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Supervisors or a management official delegated that authority by the formal Board Action (resolution), or by Arizona Revised Statutes.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The Reserve applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” All receivables are shown net of allowance of uncollectibles.

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/uses in governmental funds.

L. 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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – CHANGES IN ACCOUNTING POLICY

For fiscal year 2010, the Reserve implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Budget – At year end, the Reserve had expenditures in funds that exceeded the budgets, however, this does not constitute a material violation of any legal provisions.

NOTE 4 – CASH AND INVESTMENTS

A.R.S. authorize the Reserve to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the Reserve’s investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Reserve’s deposits may not be returned to the Reserve. The Reserve does not have a deposit policy for custodial credit risk. At year end, the Reserve did not have any deposits subject to custodial credit risk.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer’s investment pool and that pool’s structure does not provide for shares.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

At year end, the Reserve's investments consisted of the following.

	Average Maturities	Fair Value
County Treasurer's investment pool	177 days	\$ 1,536,575
Total		\$ 1,536,575

Interest Rate Risk. The Reserve 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. The Reserve has no investment policy that would further limit its investment choices. As of year end, the Reserve's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk - Investments. The Reserve's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the Reserve's portion is not identified with specific investments and is not subject to custodial credit risk.

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the Reserve's individual major funds and non-major governmental funds in the aggregate, were as follows.

	General Fund	Professional Development and Technology Grants Fund	Vocational Education Fund	Other Federal Projects Fund	Administrative Costs Fund	Non-Major Governmental Funds
Due from other governmental entities:						
Due from Federal government	\$	\$ 66,806	\$ 54,478	\$ 13,498	\$	\$ 32,572
Due from State government	278,573					18,611
Due from school districts					75,847	
Net due from governmental entities	\$ 278,573	\$ 66,806	\$ 54,478	\$ 13,498	\$ 75,847	\$ 51,183

Governmental funds report deferred revenue 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 resources that have been received, but not yet earned. At the end of the current fiscal year, the unearned component of deferred revenue reported in the governmental funds was \$5,532 in non-major governmental funds for grant drawdowns prior to meeting all eligibility requirements.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2010 follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 36,466	\$	\$	\$ 36,466
Buildings and improvements	151,880			151,880
Vehicles, furniture and equipment	<u>682,846</u>	<u>43,479</u>	<u>23,474</u>	<u>702,851</u>
Total capital assets being depreciated	<u>871,192</u>	<u>43,479</u>	<u>23,474</u>	<u>891,197</u>
Less accumulated depreciation for:				
Land improvements	(21,773)	(1,849)		(23,622)
Buildings and improvements	(104,037)	(3,862)		(107,899)
Vehicles, furniture and equipment	<u>(304,790)</u>	<u>(54,217)</u>	<u>(23,474)</u>	<u>(335,533)</u>
Total accumulated depreciation	<u>(430,600)</u>	<u>(59,928)</u>	<u>(23,474)</u>	<u>(467,054)</u>
Total capital assets, being depreciated, net	<u>440,592</u>	<u>(16,449)</u>		<u>424,143</u>
Governmental activities capital assets, net	<u>\$ 440,592</u>	<u>\$ (16,449)</u>	<u>\$</u>	<u>\$ 424,143</u>

Depreciation expense was charged to governmental functions as follows.

Instruction	\$ 8,604
Support services – students and staff	6,035
Support services – administration	3,019
Operation and maintenance and plant services	3,354
Student transportation services	<u>38,916</u>
Total depreciation expense – governmental activities	<u>\$59,928</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end interfund balances were as follows.

Due to/from other funds:

Due to	General Fund	Professional Development and Technology Grants Fund	Vocational Education Fund	Non-Major Governmental Funds	Total
School Plant Fund	\$130,227	\$ 39,320	\$ 43,499	\$ 14,032	\$ 227,078
Total	<u>\$130,227</u>	<u>\$ 39,320</u>	<u>\$ 43,499</u>	<u>\$ 14,032</u>	<u>\$ 227,078</u>

At year end, several funds had negative cash balances in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the School Plant Fund. All interfund balances are expected to be paid within one year.

Interfund transfers:

Transfers out	Transfers in			Total
	General Fund	Other Federal Projects Fund	Fee for Service Program Fund	
Non-Major Governmental Funds	\$ 87,872	\$ 20,658	\$ 31,481	\$ 140,011
Total	<u>\$ 87,872</u>	<u>\$ 20,658</u>	<u>\$ 31,481</u>	<u>\$ 140,011</u>

Transfers between funds were used to reapportion revenues and move unrestricted gifts and donations to the General Fund for use.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 – OBLIGATIONS UNDER OPEARATING LEASES

The Reserve leases a building and copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$73,990 for the current fiscal year. The building operating lease has a remaining noncancelable lease term through December 31, 2011 and provides renewal options. The copiers operating lease has a cancellable lease term through September 2013. The future minimum rental payments required under the operating leases at year end were as follows.

Year Ending June 30:		
	2011	\$ 75,514
	2012	49,756
	2013	23,224
	2014	5,806
	Total minimum payments required	<u>\$ 154,300</u>

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 33,954	\$ 56,063	\$ 30,562	\$ 59,455	\$ 28,727
Governmental activity long-term liabilities	<u>\$ 33,954</u>	<u>\$ 56,063</u>	<u>\$ 30,562</u>	<u>\$ 59,455</u>	<u>\$ 28,727</u>

NOTE 10 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Reserve expects such amounts, if any, to be immaterial.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – RISK MANAGEMENT

The Reserve 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 Reserve was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the Reserve joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The Reserve 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.

The Reserve joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The Reserve pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The Reserve continues to carry commercial insurance for all other risks of loss, including employee health and dental insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – RETIREMENT PLAN

Plan Description – The Reserve contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 12 – RETIREMENT PLAN (Concl'd)

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the Reserve's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.4 percent for long-term disability) of the members' annual covered payroll and the Reserve was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement and 0.66 percent for health insurance premiums, and 0.40 percent for long-term disability) of the members' annual covered payroll.

The Reserve's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2010	\$ 162,909	\$ 12,892	\$ 7,813
2009	120,832	14,518	7,561
2008	119,615	15,602	7,429

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
(Required Supplementary Information)**

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 44,698	\$ 44,698
State aid and grants	782,971	782,971	599,766	(183,205)
Federal aid, grants and reimbursements			90,733	90,733
Total revenues	<u>782,971</u>	<u>782,971</u>	<u>735,197</u>	<u>(47,774)</u>
Expenditures:				
Regular education				
Instruction	581,710	583,373	312,727	270,646
Support services - students and staff	56,860	67,692	9,886	57,806
Support services - administration	118,101	111,000	213,942	(102,942)
Operation and maintenance of plant services	2,450	7,831	9,294	(1,463)
Total regular education	<u>759,121</u>	<u>769,896</u>	<u>545,849</u>	<u>224,047</u>
Special education				
Instruction	149,145	211,136	206,009	5,127
Support services - students and staff	7,000	7,000		7,000
Operation and maintenance of plant services	500	500		500
Total special education	<u>156,645</u>	<u>218,636</u>	<u>206,009</u>	<u>12,627</u>
Pupil transportation				
Student transportation services			3,073	(3,073)
Total pupil transportation			<u>3,073</u>	<u>(3,073)</u>
Total expenditures	<u>915,766</u>	<u>988,532</u>	<u>754,931</u>	<u>233,601</u>
Excess (deficiency) of revenues over expenditures	<u>(132,795)</u>	<u>(205,561)</u>	<u>(19,734)</u>	<u>185,827</u>
Other financing sources (uses):				
Transfer in			87,872	87,872
Total other financing sources (uses)			<u>87,872</u>	<u>87,872</u>
Change in fund balances	<u>(132,795)</u>	<u>(205,561)</u>	<u>68,138</u>	<u>273,699</u>
Fund balances (deficits), July 1, 2009	(57,202)	(57,202)	48,646	105,848
Fund balances (deficits), June 30, 2010	<u>\$ (189,997)</u>	<u>\$ (262,763)</u>	<u>\$ 116,784</u>	<u>\$ 379,547</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PROFESSIONAL DEVELOPMENT AND TECHNOLOGY GRANTS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 1,199,465	\$ 1,199,465
Total revenues			1,199,465	1,199,465
Expenditures:				
Current -				
Instruction	1,438,296	1,458,312	769,355	688,957
Support services - students and staff	519,748	526,981	278,017	248,964
Support services - administration	261,765	265,408	140,020	125,388
Operation and maintenance of plant services	2,333	2,366	1,248	1,118
Capital outlay	20,238	20,519	10,825	9,694
Total expenditures	2,242,380	2,273,586	1,199,465	1,074,121
Change in fund balances	(2,242,380)	(2,273,586)		2,273,586
Fund balances, July 1, 2009			4,343	4,343
(Decrease) in reserve for prepaid items			(4,343)	(4,343)
Fund balances (deficits), June 30, 2010	\$ (2,242,380)	\$ (2,273,586)	\$	\$ 2,273,586

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - VOCATIONAL EDUCATION
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 200,902	\$ 200,902
Total revenues		200,902	200,902
Expenditures:			
Current -			
Instruction	3,100	1,374	1,726
Support services - students and staff	449,367	199,150	250,217
Capital outlay	853	378	475
Total expenditures	453,320	200,902	252,418
Change in fund balances	(453,320)		453,320
Fund balances, July 1, 2009		4,317	4,317
(Decrease) in reserve for prepaid items		(4,317)	(4,317)
Fund balances (deficits), June 30, 2010	\$ (453,320)	\$	\$ 453,320

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - OTHER FEDERAL PROJECTS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 611,876	\$ 611,876
Total revenues			611,876	611,876
Expenditures:				
Current -				
Instruction	39,604	40,350	37,751	2,599
Support services - students and staff	531,493	539,967	506,622	33,345
Support services - administration	83,977	85,332	80,047	5,285
Capital outlay	3,275	3,328	3,122	206
Total expenditures	658,349	668,977	627,542	41,435
Excess (deficiency) of revenues over expenditures	(658,349)	(668,977)	(15,666)	653,311
Other financing sources (uses):				
Transfer in			20,658	20,658
Total other financing sources (uses)			20,658	20,658
Change in fund balances	(658,349)	(668,977)	4,992	673,969
Fund balances, July 1, 2009				
Fund balances (deficits), June 30, 2010	\$ (658,349)	\$ (668,977)	\$ 4,992	\$ 673,969

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SCHOOL PLANT
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 6,748	\$ 6,748
Total revenues			6,748	6,748
Expenditures:				
Current -				
Support services - students and staff		39,390	7,065	32,325
Support services - administration		52,686	9,457	43,229
Operation and maintenance of plant services		5,008	899	4,109
Capital outlay		452,522	81,232	371,290
Total expenditures		549,606	98,653	450,953
Change in fund balances		(549,606)	(91,905)	457,701
Fund balances, July 1, 2009			547,719	547,719
Fund balances (deficits), June 30, 2010	\$	\$ (549,606)	\$ 455,814	\$ 1,005,420

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SMALL SCHOOLS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 3,405	\$ 3,405
State aid and grants			93,300	93,300
Total revenues			<u>96,705</u>	<u>96,705</u>
Expenditures:				
Current -				
Instruction		538	240	298
Support services - students and staff		25,153	11,219	13,934
Support services - administration		218,830	97,603	121,227
Operation and maintenance of plant services		8,174	3,646	4,528
Student transportation services		1,877	837	1,040
Capital outlay		27,030	12,056	14,974
Total expenditures		<u>281,602</u>	<u>125,601</u>	<u>156,001</u>
Change in fund balances		<u>(281,602)</u>	<u>(28,896)</u>	<u>252,706</u>
Fund balances, July 1, 2009			275,489	275,489
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>\$ (281,602)</u>	<u>\$ 246,593</u>	<u>\$ 528,195</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FEE FOR SERVICE PROGRAM
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Other local	\$	\$ 400,445	\$ 400,445
Total revenues		400,445	400,445
Expenditures:			
Current -			
Support services - students and staff		10,924	(10,924)
Operation and maintenance of plant services		425,268	(425,268)
Capital outlay		339	(339)
Total expenditures		436,531	(436,531)
Excess (deficiency) of revenues over expenditures		(36,086)	(36,086)
Other financing sources (uses):			
Transfer in		31,481	31,481
Total other financing sources (uses)		31,481	31,481
Change in fund balances		(4,605)	(4,605)
Fund balances, July 1, 2009		152,501	152,501
Fund balances, June 30, 2010	\$	\$ 147,896	\$ 147,896

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	225,338	225,338
Total revenues			225,338	225,338
Expenditures:				
Current -				
Support services - students and staff		6,436	110,249	(103,813)
Support services - administration		2,443	41,848	(39,405)
Operation and maintenance of plant services		242	4,151	(3,909)
Capital outlay		286	4,906	(4,620)
Total expenditures		9,407	161,154	(151,747)
Change in fund balances		(9,407)	64,184	73,591
Fund balances, July 1, 2009			340,410	340,410
Fund balances (deficits), June 30, 2010	\$	\$ (9,407)	\$ 404,594	\$ 414,001

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the District is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

NOTE 2 – EXCESS EXPENDITURES OVER BUDGET

At year end, the following individual major governmental funds had expenditures that exceeded the budgets, however, this does not constitute a violation of any legal provisions.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
Fee for Service Program	\$	\$ 436,531	\$ 436,531
Administrative Costs	9,407	161,154	151,747

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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NON-MAJOR GOVERNMENTAL FUNDS

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 207,487	\$ 298,276	\$ 505,763
Accounts receivable	15,877		15,877
Due from governmental entities	42,992	8,191	51,183
Total assets	\$ 266,356	\$ 306,467	\$ 572,823
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 30,780	\$ 4,639	\$ 35,419
Due to other funds	14,032		14,032
Accrued payroll and employee benefits	61,038		61,038
Deferred revenues	5,532		5,532
Total liabilities	111,382	4,639	116,021
Fund balances:			
Nonspendable			
Restricted	140,869	297,753	438,622
Committed			
Assigned	14,105	4,075	18,180
Unassigned			
Total fund balances	154,974	301,828	456,802
Total liabilities and fund balances	\$ 266,356	\$ 306,467	\$ 572,823

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 54,359	\$ 15,663	\$ 70,022
State aid and grants	45,146	23,585	68,731
Federal aid, grants and reimbursements	515,139		515,139
Total revenues	<u>614,644</u>	<u>39,248</u>	<u>653,892</u>
Expenditures:			
Current -			
Instruction	207,670		207,670
Support services - students and staff	409,868		409,868
Support services - administration	12,599		12,599
Operation and maintenance of plant services	1,361		1,361
Capital outlay		100,498	100,498
Total expenditures	<u>631,498</u>	<u>100,498</u>	<u>731,996</u>
Excess (deficiency) of revenues over expenditures	<u>(16,854)</u>	<u>(61,250)</u>	<u>(78,104)</u>
Other financing sources (uses):			
Transfer out	(33,407)	(106,604)	(140,011)
Total other financing sources (uses)	<u>(33,407)</u>	<u>(106,604)</u>	<u>(140,011)</u>
Change in fund balances	<u>(50,261)</u>	<u>(167,854)</u>	<u>(218,115)</u>
Fund balances, beginning of year	205,235	469,682	674,917
Fund balances, end of year	<u>\$ 154,974</u>	<u>\$ 301,828</u>	<u>\$ 456,802</u>

NON-MAJOR SPECIAL REVENUE FUNDS

The following non-major Special Revenue Funds are maintained by the Reserve. Arizona Revised Statutes (A.R.S.) and the Uniform System of Financial Records (USFR) require the establishment of these funds for the specified financial activities.

Classroom Site - to account for the financial activity for the portion of state sales tax collections and permanent state school fund earnings as approved by the voters in 2000.

Instructional Improvement - to account for the activity of monies received from gaming revenue.

Title I Grants - to account for financial assistance received for the purpose of improving the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Title IV Grants - to account for financial assistance received for chemical abuse awareness programs and expanding projects that benefit educational and health needs of the communities.

Limited English and Immigrant Students - to account for financial assistance received for educational services and costs for limited English and immigrant children.

Special Education Grants - to account for supplemental financial assistance received to provide a free, appropriate public education to disabled children.

Medicaid Reimbursement - to account for reimbursements related to specific health services provided to eligible students.

Other State Projects - to account for financial assistance received for other State projects.

Extracurricular Activities Fees Tax Credit - to account for activity related to monies collected in support of extracurricular activities to be taken as a tax credit by the tax payer in accordance with A.R.S. §43-1089.01.

Gifts and Donations - to account for activity related to gifts, donations, bequests and private grants made to the Reserve.

Fingerprint - to account for activity of fingerprinting employees as mandated by the State.

Insurance Proceeds - to account for the monies received from insurance claims.

Litigation Recovery - to account for monies received for and derived from litigation.

Unemployment Insurance - to account for unemployment insurance contributions using the reimbursement method of accounting to the Department of Economic Security.

Teacherage - to account for the operations of Reserve housing facilities provided for employees of the Reserve.

United Way Early Childhood – to account for monies received for childhood development programs.

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**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Classroom Site	Instructional Improvement	Title I Grants	Title IV Grants
<u>ASSETS</u>				
Cash and investments	\$ 83,864	\$ 42,276	\$ 9,932	\$ 45
Accounts receivable				
Due from governmental entities	9,269	1,151	5,409	
Total assets	\$ 93,133	\$ 43,427	\$ 15,341	\$ 45
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Accrued payroll and employee benefits	42,615		15,341	
Deferred revenues				45
Total liabilities	42,615		15,341	45
 Fund balances:				
Nonspendable				
Restricted	50,518	43,427		
Committed				
Assigned				
Unassigned				
Total fund balances	50,518	43,427		
Total liabilities and fund balances	\$ 93,133	\$ 43,427	\$ 15,341	\$ 45

Limited English and Immigrant Students	Special Education Grants	Medicaid Reimbursement	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$ 5,231	\$ 1,149	\$ 5,487	\$ 14,302	\$ 1,674
21,294	5,869				
<u>\$ 21,294</u>	<u>\$ 11,100</u>	<u>\$ 1,149</u>	<u>\$ 5,487</u>	<u>\$ 14,302</u>	<u>\$ 1,674</u>
\$ 16,233 5,061	\$ 11,100	\$	\$	\$	\$
			5,487		
<u>21,294</u>	<u>11,100</u>		<u>5,487</u>		
				14,302	
		1,149			1,674
		<u>1,149</u>		<u>14,302</u>	<u>1,674</u>
<u>\$ 21,294</u>	<u>\$ 11,100</u>	<u>\$ 1,149</u>	<u>\$ 5,487</u>	<u>\$ 14,302</u>	<u>\$ 1,674</u>

(Continued)

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010
(Concluded)

	Fingerprint	Insurance Proceeds	Litigation Recovery	Unemployment Insurance
<u>ASSETS</u>				
Cash and investments	\$ 124	\$ 6,725	\$ 11,572	\$ 26
Accounts receivable				
Due from governmental entities				
Total assets	\$ 124	\$ 6,725	\$ 11,572	\$ 26
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Accrued payroll and employee benefits				
Deferred revenues				
Total liabilities				
Fund balances:				
Nonspendable				
Restricted	124	6,725	693	26
Committed				
Assigned			10,879	
Unassigned				
Total fund balances	124	6,725	11,572	26
Total liabilities and fund balances	\$ 124	\$ 6,725	\$ 11,572	\$ 26

<u>Teacherage</u>	<u>United Way Early Childhood</u>	<u>Totals</u>
\$ 25,080	\$ 15,877	\$ 207,487
		15,877
		42,992
<u>\$ 25,080</u>	<u>\$ 15,877</u>	<u>\$ 266,356</u>
\$	\$ 3,447	\$ 30,780
	8,971	14,032
	3,082	61,038
		5,532
	<u>15,500</u>	<u>111,382</u>
25,080		140,895
	377	14,079
<u>25,080</u>	<u>377</u>	<u>154,974</u>
<u>\$ 25,080</u>	<u>\$ 15,877</u>	<u>\$ 266,356</u>

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Classroom Site	Instructional Improvement	Title I Grants	Title IV Grants
<u>ASSETS</u>				
Cash and investments	\$ 83,864	\$ 42,276	\$ 9,932	\$ 45
Accounts receivable				
Due from governmental entities	9,269	1,151	5,409	
Total assets	\$ 93,133	\$ 43,427	\$ 15,341	\$ 45
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Accrued payroll and employee benefits	42,615		15,341	
Deferred revenues				45
Total liabilities	42,615		15,341	45
Fund balances:				
Nonspendable				
Restricted	50,518	43,427		
Committed				
Assigned				
Unassigned				
Total fund balances	50,518	43,427		
Total liabilities and fund balances	\$ 93,133	\$ 43,427	\$ 15,341	\$ 45

Limited English and Immigrant Students	Special Education Grants	Medicaid Reimbursement	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$ 5,231	\$ 1,149	\$ 5,487	\$ 14,302	\$ 1,674
21,294	5,869				
<u>\$ 21,294</u>	<u>\$ 11,100</u>	<u>\$ 1,149</u>	<u>\$ 5,487</u>	<u>\$ 14,302</u>	<u>\$ 1,674</u>
\$ 16,233 5,061	\$ 11,100	\$	\$	\$	\$
			5,487		
<u>21,294</u>	<u>11,100</u>		<u>5,487</u>		
				14,302	
		1,149			1,674
		<u>1,149</u>		<u>14,302</u>	<u>1,674</u>
<u>\$ 21,294</u>	<u>\$ 11,100</u>	<u>\$ 1,149</u>	<u>\$ 5,487</u>	<u>\$ 14,302</u>	<u>\$ 1,674</u>

(Continued)

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010
(Concluded)

	Fingerprint	Insurance Proceeds	Litigation Recovery	Unemployment Insurance
<u>ASSETS</u>				
Cash and investments	\$ 124	\$ 6,725	\$ 11,572	\$ 26
Accounts receivable				
Due from governmental entities				
Total assets	\$ 124	\$ 6,725	\$ 11,572	\$ 26
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Accrued payroll and employee benefits				
Deferred revenues				
Total liabilities				
Fund balances:				
Nonspendable				
Restricted	124	6,725	693	
Committed				
Assigned			10,879	26
Unassigned				
Total fund balances	124	6,725	11,572	26
Total liabilities and fund balances	\$ 124	\$ 6,725	\$ 11,572	\$ 26

<u>Teacherage</u>	<u>United Way Early Childhood</u>	<u>Totals</u>
\$ 25,080	\$ 15,877	\$ 207,487
		15,877
		42,992
<u>\$ 25,080</u>	<u>\$ 15,877</u>	<u>\$ 266,356</u>
\$	\$ 3,447	\$ 30,780
	8,971	14,032
	3,082	61,038
		5,532
	<u>15,500</u>	<u>111,382</u>
25,080		140,869
	377	14,105
<u>25,080</u>	<u>377</u>	<u>154,974</u>
<u>\$ 25,080</u>	<u>\$ 15,877</u>	<u>\$ 266,356</u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 1,064	\$ 1,064
State aid and grants		36,809	36,809
Federal aid, grants and reimbursements			
Total revenues		<u>37,873</u>	<u>37,873</u>
Expenditures:			
Current -			
Instruction	102,533	60,022	42,511
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	<u>102,533</u>	<u>60,022</u>	<u>42,511</u>
Excess (deficiency) of revenues over expenditures	<u>(102,533)</u>	<u>(22,149)</u>	<u>80,384</u>
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	<u>(102,533)</u>	<u>(22,149)</u>	<u>80,384</u>
Fund balances, July 1, 2009		72,667	72,667
Fund balances (deficits), June 30, 2010	<u>\$ (102,533)</u>	<u>\$ 50,518</u>	<u>\$ 153,051</u>

Instructional Improvement		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 503	\$ 503
	4,121	4,121
	4,624	4,624
41,608		41,608
41,608		41,608
(41,608)	4,624	46,232
(41,608)	4,624	46,232
	38,803	38,803
\$ (41,608)	\$ 43,427	\$ 85,035

Title I Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	384,808	384,808
	384,808	384,808
24,587	90,202	(65,615)
78,587	288,309	(209,722)
1,716	6,297	(4,581)
104,890	384,808	(279,918)
(104,890)		104,890
(104,890)		104,890
\$ (104,890)	\$	\$ 104,890

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010
 (Continued)**

	Limited English and Immigrant Students		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		55,814	55,814
Total revenues		55,814	55,814
Expenditures:			
Current -			
Instruction	47,259	26,280	20,979
Support services - students and staff	53,110	29,534	23,576
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	100,369	55,814	44,555
Excess (deficiency) of revenues over expenditures	(100,369)		100,369
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	(100,369)		100,369
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	\$ (100,369)	\$	\$ 100,369

*The Medicaid Reimbursement Fund was included in the District's budget, however, the budget was -0-.

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010
 (Continued)**

	Other State Projects		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants		4,216	4,216
Federal aid, grants and reimbursements			
Total revenues		4,216	4,216
Expenditures:			
Current -			
Instruction		1,425	(1,425)
Support services - students and staff		1,430	(1,430)
Support services - administration			
Operation and maintenance of plant services		1,361	(1,361)
Total expenditures		4,216	(4,216)
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances			
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	\$	\$	\$

*The Other State Projects Fund was included in the District's budget, however, the budget was -0-.

**The Gifts and Donations Fund was included in the District's budget, however, the budget was -0-.

Extracurricular Activities Fees Tax Credit		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 178	\$ 178
	<u>178</u>	<u>178</u>
14,178		14,178
<u>14,178</u>		<u>14,178</u>
<u>(14,178)</u>	<u>178</u>	<u>14,356</u>
<u>(14,178)</u>	<u>178</u>	<u>14,356</u>
	14,124	14,124
<u>\$ (14,178)</u>	<u>\$ 14,302</u>	<u>\$ 28,480</u>

Gifts and Donations		
Budget**	Actual	Variance - Positive (Negative)
\$	\$ 3,123	\$ 3,123
	<u>3,123</u>	<u>3,123</u>
	3,863	(3,863)
	<u>3,863</u>	<u>(3,863)</u>
	<u>(740)</u>	<u>(740)</u>
	(33,407)	(33,407)
	<u>(33,407)</u>	<u>(33,407)</u>
	<u>(34,147)</u>	<u>(34,147)</u>
	35,821	35,821
<u>\$</u>	<u>\$ 1,674</u>	<u>\$ 1,674</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010
 (Continued)**

	Fingerprint		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 1	\$ 1
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>1</u>	<u>1</u>
Expenditures:			
Current -			
Instruction	123		123
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	<u>123</u>		<u>123</u>
Excess (deficiency) of revenues over expenditures	<u>(123)</u>	<u>1</u>	<u>124</u>
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	<u>(123)</u>	<u>1</u>	<u>124</u>
Fund balances, July 1, 2009		123	123
Fund balances (deficits), June 30, 2010	<u>\$ (123)</u>	<u>\$ 124</u>	<u>\$ 247</u>

Insurance Proceeds			Litigation Recovery		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 79	\$ 79	\$	\$ 428	\$ 428
	<u>79</u>	<u>79</u>		<u>428</u>	<u>428</u>
6,667		6,667	483		483
<u>6,667</u>		<u>6,667</u>	<u>483</u>		<u>483</u>
<u>(6,667)</u>	<u>79</u>	<u>6,746</u>	<u>(483)</u>	<u>428</u>	<u>911</u>
<u>(6,667)</u>	<u>79</u>	<u>6,746</u>	<u>(483)</u>	<u>428</u>	<u>911</u>
	6,646	6,646		11,144	11,144
<u>\$ (6,667)</u>	<u>\$ 6,725</u>	<u>\$ 13,392</u>	<u>\$ (483)</u>	<u>\$ 11,572</u>	<u>\$ 12,055</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010
 (Continued)**

	Unemployment Insurance		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures			
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances			
Fund balances, July 1, 2009		26	26
Fund balances (deficits), June 30, 2010	\$	\$ 26	\$ 26

*The Unemployment Insurance Fund was included in the District's budget, however, the budget was -0-.

Teacherage			United Way Early Childhood		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 296	\$ 296	\$	\$ 48,635	\$ 48,635
	296	296		48,635	48,635
25,006		25,006	46,491		46,491
				47,870	(47,870)
			377	388	(11)
25,006		25,006	46,868	48,258	(1,390)
(25,006)	296	25,302	(46,868)	377	47,245
(25,006)	296	25,302	(46,868)	377	47,245
	24,784	24,784			
\$ (25,006)	\$ 25,080	\$ 50,086	\$ (46,868)	\$ 377	\$ 47,245

(Continued)

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 54,359	\$ 54,359
State aid and grants		45,146	45,146
Federal aid, grants and reimbursements		515,139	515,139
Total revenues		<u>614,644</u>	<u>614,644</u>
Expenditures:			
Current -			
Instruction	342,844	207,670	135,174
Support services - students and staff	176,005	409,868	(233,863)
Support services - administration	8,836	12,599	(3,763)
Operation and maintenance of plant services		1,361	(1,361)
Total expenditures	<u>527,685</u>	<u>631,498</u>	<u>(103,813)</u>
Excess (deficiency) of revenues over expenditures	<u>(527,685)</u>	<u>(16,854)</u>	<u>510,831</u>
Other financing sources (uses):			
Transfer out		(33,407)	(33,407)
Total other financing sources (uses)		<u>(33,407)</u>	<u>(33,407)</u>
Change in fund balances	<u>(527,685)</u>	<u>(50,261)</u>	<u>477,424</u>
Fund balances, July 1, 2009		205,235	205,235
Fund balances (deficits), June 30, 2010	<u>\$ (527,685)</u>	<u>\$ 154,974</u>	<u>\$ 682,659</u>

NON-MAJOR CAPITAL PROJECTS FUNDS

The following non-major Capital Projects Funds are maintained by the Reserve. Arizona Revised Statutes (A.R.S.) and the Uniform System of Financial Records (USFR) require the establishment of these funds for the specified financial activities.

Unrestricted Capital Outlay - to account for transactions relating to the acquisition of capital items.

Soft Capital Allocation - to account for transactions relating to the acquisition of short-term capital items required to meet academic adequacy standards.

Building Renewal - to account for monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems or buildings that will maintain or extend their useful life.

Bus Replacement – to account for monies accumulated for the purchase of a new bus.

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010**

	<u>Unrestricted Capital Outlay</u>	<u>Soft Capital Allocation</u>	<u>Building Renewal</u>	<u>Bus Replacement</u>
<u>ASSETS</u>				
Cash and investments	\$ 131,986	\$ 129,252	\$ 32,963	\$ 4,075
Due from governmental entities		8,191		
Total assets	<u>\$ 131,986</u>	<u>\$ 137,443</u>	<u>\$ 32,963</u>	<u>\$ 4,075</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$ 4,639	\$	\$
Total liabilities		<u>4,639</u>		
Fund balances:				
Nonspendable				
Restricted	131,986	132,804	32,963	
Committed				
Assigned				4,075
Unassigned				
Total fund balances	<u>131,986</u>	<u>132,804</u>	<u>32,963</u>	<u>4,075</u>
 Total liabilities and fund balances	 <u>\$ 131,986</u>	 <u>\$ 137,443</u>	 <u>\$ 32,963</u>	 <u>\$ 4,075</u>

Totals

\$	298,276
	8,191
\$	<u>306,467</u>

\$	4,639
	<u>4,639</u>

297,753

4,075

	<u>301,828</u>
--	----------------

\$	<u>306,467</u>
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**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010**

	Unrestricted Capital Outlay	Soft Capital Allocation	Building Renewal
Revenues:			
Other local	\$ 2,936	\$ 12,237	\$ 437
State aid and grants		23,585	
Total revenues	2,936	35,822	437
Expenditures:			
Capital outlay	18,941	81,557	
Total expenditures	18,941	81,557	
 Excess (deficiency) of revenues over expenditures	(16,005)	(45,735)	437
Other financing sources (uses):			
Transfer out	(82,797)	(23,807)	
Total other financing sources (uses)	(82,797)	(23,807)	
 Change in fund balances	(98,802)	(69,542)	437
 Fund balances, beginning of year	230,788	202,346	32,526
 Fund balances, end of year	\$ 131,986	\$ 132,804	\$ 32,963

<u>Bus Replacement</u>	<u>Totals</u>
\$ 53	\$ 15,663
	<u>23,585</u>
<u>53</u>	<u>39,248</u>
	<u>100,498</u>
	<u>100,498</u>
<u>53</u>	<u>(61,250)</u>
	<u>(106,604)</u>
	<u>(106,604)</u>
<u>53</u>	<u>(167,854)</u>
4,022	469,682
<u>\$ 4,075</u>	<u>\$ 301,828</u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010**

	Unrestricted Capital Outlay		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 2,936	\$ 2,936
State aid and grants			
Total revenues		2,936	2,936
Expenditures:			
Capital outlay	257,429	18,941	238,488
Total expenditures	257,429	18,941	238,488
Excess (deficiency) of revenues over expenditures	(257,429)	(16,005)	241,424
Other financing sources (uses):			
Transfer out		(82,797)	(82,797)
Total other financing sources (uses)		(82,797)	(82,797)
Change in fund balances	(257,429)	(98,802)	158,627
Fund balances, July 1, 2009		230,788	230,788
Fund balances (deficits), June 30, 2010	\$ (257,429)	\$ 131,986	\$ 389,415

Soft Capital Allocation			Building Renewal		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 12,237	\$ 12,237	\$	\$ 437	\$ 437
	23,585	23,585			
	35,822	35,822		437	437
76,828	81,557	(4,729)	32,863		32,863
76,828	81,557	(4,729)	32,863		32,863
(76,828)	(45,735)	31,093	(32,863)	437	33,300
	(23,807)	(23,807)			
	(23,807)	(23,807)			
(76,828)	(69,542)	7,286	(32,863)	437	33,300
	202,346	202,346		32,526	32,526
\$ (76,828)	\$ 132,804	\$ 209,632	\$ (32,863)	\$ 32,963	\$ 65,826

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010
 (Concluded)**

	Bus Replacement		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 53	\$ 53
State aid and grants			
Total revenues		53	53
Expenditures:			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		53	53
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances		53	53
Fund balances, July 1, 2009		4,022	4,022
Fund balances (deficits), June 30, 2010	\$	\$ 4,075	\$ 4,075

*The Bus Replacement Fund was included in the District's budget, however, the budget was -0-.

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 15,663	\$ 15,663
	23,585	23,585
	39,248	39,248
367,120	100,498	266,622
367,120	100,498	266,622
(367,120)	(61,250)	305,870
	(106,604)	(106,604)
	(106,604)	(106,604)
(367,120)	(167,854)	199,266
	469,682	469,682
\$ (367,120)	\$ 301,828	\$ 668,948

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AGENCY FUNDS

Payroll Clearing - to account for employee payroll checks and voluntary deductions temporarily held by the Reserve as an agent.

Employee Withholding - to account for voluntary deductions temporarily held by the Reserve as an agent.

COBRA Clearing - to account for COBRA insurance payments held by the Reserve as an agent.

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 JUNE 30, 2010**

	Employee Withholding	COBRA Clearing	Totals
<u>ASSETS</u>			
Cash and investments	\$ 18,678	\$ 3,387	\$ 22,065
Total assets	\$ 18,678	\$ 3,387	\$ 22,065
 <u>LIABILITIES</u>			
Accounts payable	15,000		15,000
Deposits held for others	3,678	3,387	7,065
Total liabilities	\$ 18,678	\$ 3,387	\$ 22,065

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ _____	\$ 2,583,042	\$ 2,583,042	\$ _____
Total assets	\$ _____	\$ 2,583,042	\$ 2,583,042	\$ _____
<u>Liabilities</u>				
Deposits held for others	\$ _____	\$ 2,583,042	\$ 2,583,042	\$ _____
Total liabilities	\$ _____	\$ 2,583,042	\$ 2,583,042	\$ _____
<u>EMPLOYEE WITHHOLDING</u>				
<u>Assets</u>				
Cash and investments	\$ 20,906	\$ 180,147	\$ 182,375	\$ 18,678
Total assets	\$ 20,906	\$ 180,147	\$ 182,375	\$ 18,678
<u>Liabilities</u>				
Accounts payable	\$ 17,500	\$ 15,000	\$ 17,500	\$ 15,000
Deposits held for others	3,406	165,147	164,875	3,678
Total liabilities	\$ 20,906	\$ 180,147	\$ 182,375	\$ 18,678
<u>COBRA CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ 5,313	\$ 404	\$ 2,330	\$ 3,387
Total assets	\$ 5,313	\$ 404	\$ 2,330	\$ 3,387
<u>Liabilities</u>				
Deposits held for others	\$ 5,313	\$ 404	\$ 2,330	\$ 3,387
Total liabilities	\$ 5,313	\$ 404	\$ 2,330	\$ 3,387
<u>TOTAL AGENCY</u>				
<u>Assets</u>				
Cash and investments	\$ 26,219	\$ 2,763,593	\$ 2,767,747	\$ 22,065
Total assets	\$ 26,219	\$ 2,763,593	\$ 2,767,747	\$ 22,065
<u>Liabilities</u>				
Accounts payable	\$ 17,500	\$ 15,000	\$ 17,500	\$ 15,000
Deposits held for others	26,219	2,748,593	2,767,747	7,065
Total liabilities	\$ 26,219	\$ 2,763,593	\$ 2,767,747	\$ 22,065

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STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the Reserve's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Reserve's ability to generate revenue. The Reserve does not levy property taxes.

Debt Capacity

These schedules present information to help the reader evaluate the Reserve's current levels of outstanding debt as well as assess the Reserve's ability to make debt payments and/or issue additional debt in the future. The Reserve does not have long-term debt outstanding which requires statistical section disclosures.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Reserve's financial activities take place.

Operating Information

These schedules contain information about the Reserve's operations and various resources to help the reader draw conclusions as to how the Reserve's financial information relates to the services provided by the Reserve.

Due to cost considerations for the accumulation of data, the Reserve has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

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PIMA COUNTY SCHOOL RESERVE FUND
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net Assets:					
Invested in capital assets	\$ 424,143	\$ 440,592	\$ 237,050	\$ 218,823	\$ 765,949
Restricted	301,828	469,682	888,766	912,999	965,277
Unrestricted	1,472,192	1,544,706	1,496,278	1,291,031	347,831
Total net assets	\$ 2,198,163	\$ 2,454,980	\$ 2,622,094	\$ 2,422,853	\$ 2,079,057

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net Assets:				
Invested in capital assets	\$ 790,933	\$ 856,797	\$ 830,508	\$ 806,978
Restricted	928,703	904,539	853,581	954,168
Unrestricted	366,230	481,124	621,193	677,575
Total net assets	\$ 2,085,866	\$ 2,242,460	\$ 2,305,282	\$ 2,438,721

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

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002 therefore only nine years are shown.

PIMA COUNTY SCHOOL RESERVE FUND
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST NINE FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenses					
Instruction	\$ 1,650,752	\$ 1,572,024	\$ 1,605,284	\$ 966,212	\$ 913,986
Support services - students and staff	2,001,296	1,752,237	1,716,069	1,338,225	1,209,102
Support services - administration	635,588	552,864	474,858	568,049	584,978
Operation and maintenance of plant services	38,236	39,444	47,524	55,315	46,162
Student transportation services	58,115	138,358	185,147	146,583	177,704
Operation of non-instructional services	3,398	17,844			
Total expenses	<u>4,387,385</u>	<u>4,072,771</u>	<u>4,028,882</u>	<u>3,074,384</u>	<u>2,931,932</u>
Program Revenues					
Charges for services:					
Instruction	356		90,939	121,037	74,904
Support services - students and staff	398,283	413,913	460,985	357,515	45,518
Other activities	221,477	106,824	23,557	82,026	50,576
Operating grants and contributions	2,561,465	2,163,603	2,276,264	1,256,894	1,416,147
Capital grants and contributions	14,325	33,206	40,219	20,624	38,107
Total program revenues	<u>3,195,906</u>	<u>2,717,546</u>	<u>2,891,964</u>	<u>1,838,096</u>	<u>1,625,252</u>
Net (Expense)/Revenue	<u>\$ (1,191,479)</u>	<u>\$ (1,355,225)</u>	<u>\$ (1,136,918)</u>	<u>\$ (1,236,288)</u>	<u>\$ (1,306,680)</u>

PIMA COUNTY SCHOOL RESERVE FUND
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST NINE FISCAL YEARS
(Accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses				
Instruction	\$ 1,037,381	\$ 943,735	\$ 927,724	\$ 840,717
Support services - students and staff	903,616	534,442	656,100	1,022,075
Support services - administration	771,535	702,561	687,239	668,927
Operation and maintenance of plant services	74,112	78,754	67,894	89,025
Student transportation services	156,394	110,249	135,090	132,231
Operation of non-instructional services				
Total expenses	<u>2,943,038</u>	<u>2,369,741</u>	<u>2,474,047</u>	<u>2,752,975</u>
Program Revenues				
Charges for services:				
Instruction	50,181	52,723	36,795	62,253
Support services - students and staff	24,952	6,513	94,242	106,757
Other activities	75,380	41,184	64,757	44,482
Operating grants and contributions	1,098,668	859,544	782,370	1,081,834
Capital grants and contributions	139,542	51,682		43,936
Total program revenues	<u>1,388,723</u>	<u>1,011,646</u>	<u>978,164</u>	<u>1,339,262</u>
Net (Expense)/Revenue	<u>\$ (1,554,315)</u>	<u>\$ (1,358,095)</u>	<u>\$ (1,495,883)</u>	<u>\$ (1,413,713)</u>

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

- Notes:** 1) The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002 therefore only nine years are shown.
- 2) In fiscal year 2007, Support services - students and staff increased due to the implementation of new fee for service programs.
- 3) In fiscal year 2008, the Reserve became the pass-through entity for a \$1.0 million Technology Education Grant, resulting in an increase in Operating Grants and Contributions and Instruction expenses.

**PIMA COUNTY SCHOOL RESERVE FUND
GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net (Expense)/Revenue	\$ (1,191,479)	\$ (1,355,225)	\$ (1,136,918)	\$ (1,236,288)	\$ (1,306,680)
General Revenues:					
Investment income	30,167	40,458	110,765	78,618	57,660
Unrestricted county aid	48,652			587	149,033
Unrestricted state aid	757,581	1,137,864	1,213,927	1,161,915	1,093,178
Unrestricted federal aid	98,262	9,789	11,467	10,811	
Special item - gain on sale of land				34,056	
Total general revenues and special item	934,662	1,188,111	1,336,159	1,285,987	1,299,871
Changes in Net Assets	\$ (256,817)	\$ (167,114)	\$ 199,241	\$ 49,699	\$ (6,809)

**PIMA COUNTY SCHOOL RESERVE FUND
GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Accrual basis of accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net (Expense)/Revenue	\$ (1,554,315)	\$ (1,358,095)	\$ (1,495,883)	\$ (1,413,713)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for capital outlay				
Investment income	27,794	15,870	(39,209)	40,178
Unrestricted county aid	162,061	154,456	70,117	166,297
Unrestricted state aid	1,207,866	1,124,947	1,321,100	1,279,028
Unrestricted federal aid			10,436	
Special item - gain on sale of land				
Total general revenues and special item	<u>1,397,721</u>	<u>1,295,273</u>	<u>1,362,444</u>	<u>1,485,503</u>
Changes in Net Assets	<u>\$ (156,594)</u>	<u>\$ (62,822)</u>	<u>\$ (133,439)</u>	<u>\$ 71,790</u>

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

- Notes:** 1) The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002 therefore only nine years are shown.
- 2) In fiscal year 2003, investment income includes an investment loss due to a loss suffered in the participation of the Local Government Investment Pool.
- 3) The Arizona State Legislature suspended county equalization payments for fiscal years 2006-07 through 2008-09.

**PIMA COUNTY SCHOOL RESERVE FUND
FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund:					
Nonspendable	\$	\$	\$	\$	\$
Restricted	62,129				
Committed					
Assigned					
Unassigned	54,655				
Reserved					8,929.00
Unreserved		48,646	42,655	(76,656)	(109,769)
Total General Fund	\$ 116,784	\$ 48,646	\$ 42,655	\$ (76,656)	\$ (100,840)
All Other Governmental Funds:					
Nonspendable	\$	\$	\$	\$	\$
Restricted	899,428				
Committed					
Assigned	817,263				
Unassigned					
Reserved		8,660	9,154	9,343	2,233
Unreserved, reported in:					
Special revenue funds		1,521,354	1,545,880	1,383,808	478,234
Capital projects funds		469,682	879,612	912,999	965,277
Total all other governmental funds	\$ 1,716,691	\$ 1,999,696	\$ 2,434,646	\$ 2,306,150	\$ 1,445,744

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:				
Nonspendable	\$	\$	\$	\$
Restricted				
Committed				
Assigned				
Unassigned				
Reserved				
Unreserved	(19,707)	47,904	156,473	171,656
Total General Fund	\$ (19,707)	\$ 47,904	\$ 156,473	\$ 171,656
All Other Governmental Funds:				
Nonspendable	\$	\$	\$	\$
Restricted				
Committed				
Assigned				
Unassigned				
Reserved		13,222		
Unreserved, reported in:				
Special revenue funds	396,908	415,514	464,720	737,236
Capital projects funds	928,703	904,539	853,581	722,851
Total all other governmental funds	\$ 1,325,611	\$ 1,333,275	\$ 1,318,301	\$ 1,460,087

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

Note: During fiscal year 2010, the Reserve implemented GASB 54. The new standard replaces the previous reserved, unreserved and designated fund balance categories with five classifications: nonspendable, restricted, committed, assigned and unassigned fund balance.

**PIMA COUNTY SCHOOL RESERVE FUND
GOVERNMENTAL FUNDS REVENUES
LAST NINE FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Federal sources:					
Federal grants	\$ 2,520,278	\$ 2,143,782	\$ 2,282,967	\$ 1,105,999	\$ 1,237,097
Taylor Grazing	7,104	9,789	11,467	10,811	16,897
State Fiscal Stabilization	90,733			-	
Total federal sources	<u>2,618,115</u>	<u>2,153,571</u>	<u>2,294,434</u>	<u>1,116,810</u>	<u>1,253,994</u>
State sources:					
State equalization assistance	623,351	873,128	866,898	828,333	849,831
State grants	4,216	97,631	127,887	344,295	285,645
School Facilities Board			1,164		
Other revenues	134,230	171,436	251,494	160,806	164,203
Total state sources	<u>761,797</u>	<u>1,142,195</u>	<u>1,247,443</u>	<u>1,333,434</u>	<u>1,299,679</u>
Local sources:					
County aid	48,652			587	149,033
Investment income (loss)	30,167	40,248	110,765	86,165	58,031
Other revenues	671,837	571,761	575,481	1,062,281	170,627
Total local sources	<u>750,656</u>	<u>612,009</u>	<u>686,246</u>	<u>1,149,033</u>	<u>377,691</u>
Total revenues	<u>\$ 4,130,568</u>	<u>\$ 3,907,775</u>	<u>\$ 4,228,123</u>	<u>\$ 3,599,277</u>	<u>\$ 2,931,364</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
Federal sources:					
Federal grants	\$ 1,063,877	\$ 732,266	\$ 598,290	\$ 891,284	
Taylor Grazing		20,549	10,436		
State Fiscal Stabilization					
Total federal sources	<u>1,063,877</u>	<u>752,815</u>	<u>608,726</u>	<u>891,284</u>	
State sources:					
State equalization assistance	1,015,249	911,554	1,060,988	1,138,257	
State grants	174,456	158,401	184,081	233,324	
School Facilities Board	2,733	16,900	66,360	4,858	
Other revenues	188,004	192,019	193,751	142,158	
Total state sources	<u>1,380,442</u>	<u>1,278,874</u>	<u>1,505,180</u>	<u>1,518,597</u>	
Local sources:					
County aid	162,061	154,456	163,417	166,297	
Investment income (loss)	27,974	15,870	(39,209)	40,178	
Other revenues	150,333	100,420	102,494	213,492	
Total local sources	<u>340,368</u>	<u>270,746</u>	<u>226,702</u>	<u>419,967</u>	
Total revenues	<u>\$ 2,784,687</u>	<u>\$ 2,302,435</u>	<u>\$ 2,340,608</u>	<u>\$ 2,829,848</u>	

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

Note: The Arizona State Legislature suspended county equalization payments for fiscal years 2006-07 through 2008-09.

PIMA COUNTY SCHOOL RESERVE FUND
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST NINE FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenditures:					
Current -					
Instruction	\$ 1,535,126	\$ 1,391,759	\$ 1,546,890	\$ 849,379	\$ 862,864
Support services - students and staff	1,945,794	1,716,483	1,656,671	1,293,356	1,127,304
Support services - administration	612,201	538,994	458,326	529,481	576,251
Operation and maintenance of plant services	26,388	36,091	44,171	42,032	51,739
Student transportation services	3,910	127,380	117,367	106,984	142,569
Operation of non-instructional services		17,844			
Capital outlay	213,356	507,689	156,702	185,733	142,799
Total expenditures	<u><u>\$ 4,336,775</u></u>	<u><u>\$ 4,336,240</u></u>	<u><u>\$ 3,980,127</u></u>	<u><u>\$ 3,006,965</u></u>	<u><u>\$ 2,903,526</u></u>
Expenditures for capitalized assets	\$ 43,379	\$ 278,573	\$ 77,411	\$	\$ 69,824
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST NINE FISCAL YEARS
(Modified accrual basis of accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenditures:				
Current -				
Instruction	\$ 957,543	\$ 875,165	\$ 908,357	\$ 829,727
Support services - students and staff	726,225	526,053	628,704	1,013,067
Support services - administration	713,498	635,432	665,133	649,080
Operation and maintenance of plant services	64,775	78,077	54,816	78,995
Student transportation services	133,442	81,769	85,873	83,014
Operation of non-instructional services				
Capital outlay	251,257	212,756	154,694	
Total expenditures	<u>\$ 2,846,740</u>	<u>\$ 2,409,252</u>	<u>\$ 2,497,577</u>	<u>\$ 2,653,883</u>
Expenditures for capitalized assets	\$ 5,023	\$ 89,241	\$ 111,486	\$
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%

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

(Concluded)

PIMA COUNTY SCHOOL RESERVE FUND
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Excess (deficiency) of revenues over expenditures	\$ (206,207)	\$ (428,465)	\$ 247,996	\$ 592,312	\$ 27,838
Other financing sources (uses):					
Transfers in	140,011	113,746	24,159	12,351	14,563
Transfers out	(140,011)	(113,746)	(24,159)	(12,351)	(14,563)
Total other financing sources (uses)					
Changes in fund balances	\$ (206,207)	\$ (428,465)	\$ 247,996	\$ 592,312	\$ 27,838
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
Excess (deficiency) of revenues over expenditures	\$ (62,053)	\$ (106,817)	\$ (156,969)	\$ 175,965	
Other financing sources (uses):					
Transfers in	10,820		61,431	38,196	
Transfers out	(10,820)		(61,431)	(38,196)	
Total other financing sources (uses)					
Changes in fund balances	\$ (62,053)	\$ (106,817)	\$ (156,969)	\$ 175,965	

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

**PIMA COUNTY SCHOOL RESERVE FUND
COUNTY-WIDE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE FISCAL YEARS**

Fiscal Year Ended June 30	Secondary Assessed Valuation	Total Direct Rate	Estimated Actual Value	Ratio of Net Assessed to Estimated Actual Value
2010	\$ 9,840,619,641	4.38	\$ 88,039,453,661	11.18 %
2009	9,592,056,434	4.00	85,751,619,734	11.19
2008	8,236,498,616	4.29	72,137,409,692	11.42
2007	6,887,803,879	4.56	59,915,496,229	11.50
2006	6,066,453,592	4.79	52,366,493,761	11.58
2005	5,633,321,019	4.89	48,823,551,330	11.54
2004	5,221,270,997	4.89	44,455,033,701	11.75
2003	4,837,084,048	4.89	41,095,365,469	11.77
2002	4,486,985,357	4.97	38,134,846,198	11.77

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

**PIMA COUNTY SCHOOL RESERVE FUND
COUNTY-WIDE DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST NINE CALENDAR YEARS**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2009	1,018,012	\$ N/A	\$ N/A	8.3 %
2008	1,012,018	34,392,945	34,058	5.1
2007	1,003,235	31,646,777	31,755	3.7
2006	981,280	29,806,619	31,418	4.0
2005	957,635	26,703,829	28,869	4.6
2004	931,835	24,697,472	25,906	4.6
2003	911,160	22,953,195	24,293	5.3
2002	890,545	21,925,506	23,607	5.6
2001	870,610	21,386,801	24,767	4.3

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information is State of Arizona, Department of Economic Security prior to 2009. Subsequently, this information was obtained from the University of Arizona, Eller College of Management.

Note: N/A indicates that the information is not available.

**PIMA COUNTY SCHOOL RESERVE FUND
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2010</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Raytheon Missile Systems	12,140	3.4 %	10,400	2.6 %
University of Arizona	10,363	2.9	11,606	2.9
State of Arizona	8,708	2.4	9,932	2.5
Davis Monthan AFB	7,755	2.2	9,200	2.3
Wal-Mart Stores, Inc.	7,192	2.0	3,800	1.0
Tucson Unified School District	7,012	2.0	8,278	2.1
Pima County Government	6,511	1.8	7,175	1.8
Fort Huachuca	6,236	1.7	10,969	2.8
City of Tucson	5,399	1.5	5,933	1.5
Freeport-McMorRan Copper	3,997	1.1	3,783	1.0
Total	<u>75,313</u>	<u>21.0 %</u>	<u>81,076</u>	<u>20.5 %</u>
 Total employment	 <u>358,200</u>		 <u>397,900</u>	

Source: Data was obtained from a website of the Arizona Daily Star.

**PIMA COUNTY SCHOOL RESERVE FUND
FULL-TIME EQUIVALENT RESERVE EMPLOYEES BY TYPE
LAST NINE FISCAL YEARS**

	Full-time Equivalent Employees as of June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Supervisory					
Assistant principals	2	2	2	2	2
Total supervisory	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Instruction					
Teachers	11	12	12	13	14
Total instruction	<u>11</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>14</u>
Support and Administration					
Service workers	29	29	27	26	20
Total support and administration	<u>29</u>	<u>29</u>	<u>27</u>	<u>26</u>	<u>20</u>
Total	<u><u>42</u></u>	<u><u>43</u></u>	<u><u>41</u></u>	<u><u>41</u></u>	<u><u>36</u></u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
Supervisory					
Assistant principals	2	2	1	1	
Total supervisory	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	
Instruction					
Teachers	17	17	21	21	
Total instruction	<u>17</u>	<u>17</u>	<u>21</u>	<u>21</u>	
Support and Administration					
Service workers	18	15	13	16	
Total support and administration	<u>18</u>	<u>15</u>	<u>13</u>	<u>16</u>	
Total	<u><u>37</u></u>	<u><u>34</u></u>	<u><u>35</u></u>	<u><u>38</u></u>	

Source: The source of this information is the Reserve's employee records.

**PIMA COUNTY SCHOOL RESERVE FUND
OPERATING STATISTICS
LAST NINE FISCAL YEARS**

Fiscal Year Ended June 30	Average Daily Membership	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil- Teacher Ratio
2010	123 \$	4,123,419 \$	33,524	11.35 %	4,387,385 \$	35,670	12.44 %	11	11.2
2009	108	3,828,551	35,450	73.40	4,072,771	37,711	69.27	12	9.0
2008	127	3,823,425	30,106	47.26	4,028,882	31,723	42.40	12	10.6
2007	138	2,821,232	20,444	2.19	3,074,384	22,278	4.86	13	10.6
2006	138	2,760,727	20,005	24.86	2,931,932	21,246	16.95	14	9.9
2005	162	2,595,483	16,022	40.78	2,943,038	18,167	47.96	17	9.5
2004	193	2,196,496	11,381	(23.25)	2,369,741	12,278	(21.59)	17	11.4
2003	158	2,342,883	14,828	22.36	2,474,047	15,659	24.56	21	7.5
2002	219	2,653,883	12,118	25.79	2,752,975	12,571	26.81	21	10.4

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

Note: Operating expenditures are total expenditures less debt service and capital outlay.

**PIMA COUNTY SCHOOL RESERVE FUND
CAPITAL ASSETS INFORMATION
LAST NINE FISCAL YEARS**

	Fiscal Year Ended June 30								
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Schools									
Elementary									
Buildings	1	1	1	1	1	1	1	1	1
Square feet	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	28,500
Capacity	25	25	25	25	25	25	25	25	25
Enrollment	0	0	0	0	0	0	0	11	11

Source: The source of this information is the Reserve's facilities records.

Note: The Reserve owns a building on Mount Lemmon; however, the facility was closed in fiscal year 2004 due to a fire. The Reserve is currently operating both the juvenile detention center as well as the Pima County Jail education programs; however, the facilities are not owned by the Reserve.

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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**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**

The Board of Supervisors
Pima County School Reserve Fund

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County School Reserve Fund, a governmental fund of Pima County, Arizona, as of and for the year ended June 30, 2010, which collectively comprise Pima County School Reserve Fund's basic financial statements and have issued our report thereon dated October 29, 2010, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pima County School Reserve Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pima County School Reserve Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pima County School Reserve Fund's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pima County School Reserve Fund's financial statements are free of 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*.

We noted certain matters that we reported to management of Pima County School Reserve Fund in a separate document entitled Uniform System of Financial Records (USFR) Questionnaire dated October 29, 2010.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 29, 2010