

**PIMA COUNTY SCHOOL RESERVE FUND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**PIMA COUNTY SCHOOL RESERVE FUND**

**TUCSON, ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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www.schools.pima.gov

Phone: 520.740.8451  
Fax: 520.623.9308

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December 1, 2011

Board of Supervisors  
Pima County, Arizona

The Pima County School Reserve Fund, a department 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, 2011.

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, 2011, 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, 2011, 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**

The 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 and the Pima Accommodation School District No. 00. Pima Special Programs 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 Pima Accommodation School District No. 00 ("District") provides an education program for incarcerated school-aged youth, as required by A.R.S. §15-912. 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 on the economy of Pima County, which directly relates to the county's population growth. As of July 1, 2010, the population of Pima County was 980,263, which accounts for 15% of the State of Arizona's estimated population of 6,392,017. This makes Pima County the second most populated county in Arizona and was the 26th most rapidly growing county in the United States from 2009 to 2010. The City of Tucson encompasses approximately 227.615 square miles of Pima County's 9,186 square miles and with its July 2010 population of 520,116 accounted for 53% of the total Pima County population. Tucson is the second largest city in Arizona and is the 33rd largest city in the United States. The ability for both Pima County and the City of Tucson to invest in the general population through sales tax and other forms of revenue directly impacts the revenue available to school districts and charters. These resources are channeled to the State, whereby making them available to school districts and charters for programmatic use. The ability for schools to use these resources for the services provided by the ESA and Accommodation District is reliant on the availability of financial resources.

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, 2010. This was the eighteenth 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 2010-11 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**

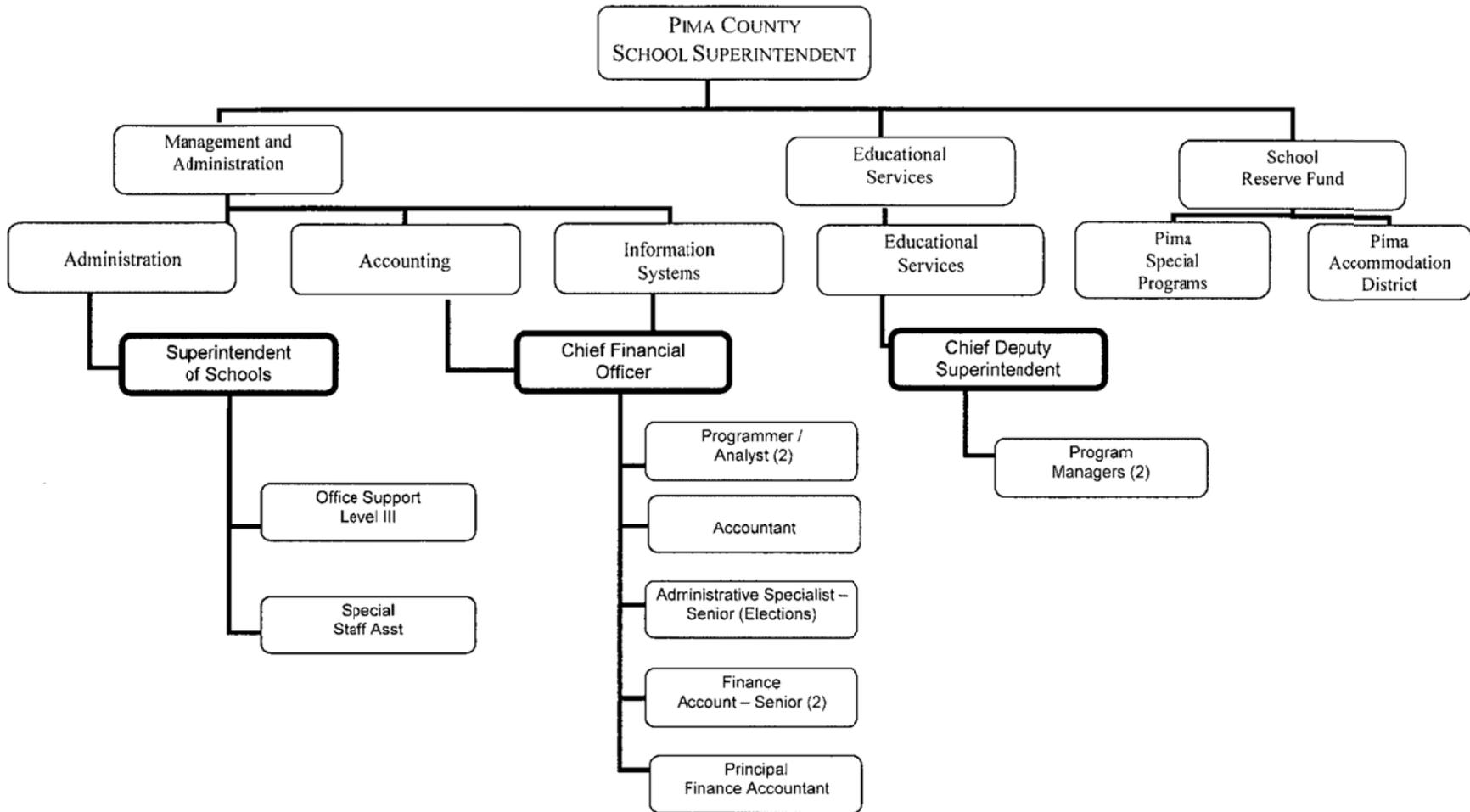
**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2010

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



## 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 department of Pima County, Arizona, as of and for the year ended June 30, 2011, 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 department 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, 2011, 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 department of Pima County, Arizona as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, 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 13 and budgetary comparison information on pages 48 through 53 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

December 1, 2011

**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, 2011**

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, 2011. 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 increased \$151,198 which represents a 7 percent increase from the prior fiscal year.
- General revenues accounted for \$1.1 million in revenue, or 25 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 75 percent of total current fiscal year revenues.
- The Reserve had approximately \$4.1 million in expenses related to governmental activities, a decrease of 6 percent from the prior fiscal year primarily due to decreased instructional expense related a decline in student enrollment in the Accommodation District.
- Among major funds, the General Fund had \$1.1 million in current fiscal year revenues, which primarily consisted of state aid, and \$1.1 million in expenditures. The General Fund's fund balance increased from \$522,527 at the prior fiscal year end to \$538,262 at the end of the current fiscal year.

**PIMA COUNTY SCHOOL RESERVE FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

**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, 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 department 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, 2011**

**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, Other Federal Projects, School Plant, Small Schools, and Fee for Service Program 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, 2011**

**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 \$2.3 million at the current fiscal year end.

The investment in capital assets (e.g. land improvements; buildings and improvements; vehicles, furniture, and equipment) comprises 16 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 are restricted by statute for a specified purpose.

The following table presents a summary of the Reserve's net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	As of <u>June 30, 2011</u>	As of <u>June 30, 2010</u>
Current assets	\$ 2,250,199	\$ 2,104,276
Capital assets, net	<u>376,262</u>	<u>424,143</u>
<b>Total assets, net</b>	<u>2,626,461</u>	<u>2,528,419</u>
Current liabilities	217,471	270,801
Long-term liabilities	<u>59,629</u>	<u>59,455</u>
<b>Total liabilities</b>	<u>277,100</u>	<u>330,256</u>
<b>Net assets:</b>		
Invested in capital assets	376,262	424,143
Restricted	1,494,466	301,828
Unrestricted	<u>478,633</u>	<u>1,472,192</u>
<b>Total net assets</b>	<u>\$ 2,349,361</u>	<u>\$ 2,198,163</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

At the end of the current fiscal year the Reserve 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.

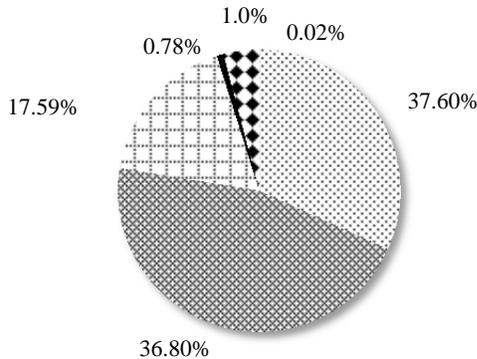
**Changes in net assets.** The Reserve's total revenues for the current fiscal year were \$4.3 million. The total cost of all programs and services was \$4.1 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	Fiscal Year Ended <u>June 30, 2011</u>	Fiscal Year Ended <u>June 30, 2010</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 898,495	\$ 620,116
Operating grants and contributions	2,321,429	2,561,465
Capital grants and contributions	16,647	14,325
General revenues:		
Investment income	17,235	30,167
Unrestricted county aid	57,272	48,652
Unrestricted state aid	964,961	757,581
Unrestricted federal aid	19,871	98,262
<b>Total revenues</b>	<u>4,295,910</u>	<u>4,130,568</u>
<b>Expenses:</b>		
Instruction	1,317,272	1,650,752
Support services – students and staff	1,896,939	2,001,296
Support services – administration	728,883	635,588
Operation and maintenance of plant services	32,132	38,236
Student transportation services	168,535	58,115
Operation of non-instructional services	951	3,398
<b>Total expenses</b>	<u>4,144,712</u>	<u>4,387,385</u>
<b>Change in net assets</b>	<u>\$ 151,198</u>	<u>\$ (256,817)</u>

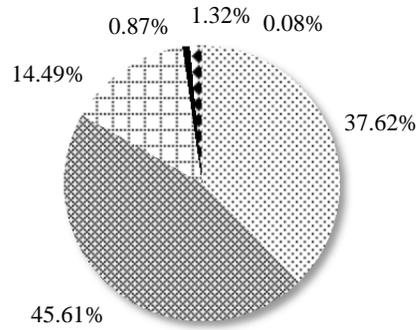
**PIMA COUNTY SCHOOL RESERVE FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Fiscal Year 2010-11 Expenses**



**Fiscal Year 2009-10 Expenses**



⊗ Instruction  
 ⊗ Support services - administration  
 ⊗ Student transportation services

⊗ Support services - students and staff  
 ■ Operation and maintenance of plant services  
 ⊗ Operation of non-instructional services

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

- The increase of \$278,379 in charges for services and the increase in support services – administration of \$93,295 was due primarily to an increase in activity in the fee for service programs provided by the Reserve.
- The decrease in instruction expenses of \$333,480 was due primarily to a decline in student enrollment in the Accommodation District.

The following table presents the cost of the Reserve’s major functional activities. 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, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

	<u>Year Ended June 30, 2011</u>		<u>Year Ended June 30, 2010</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$1,317,272	\$ (435,270)	\$ 1,650,752	\$ (684,636)
Support services – students and staff	1,896,939	5,419	2,001,296	(223,370)
Support services – administration	728,883	(276,672)	635,588	(183,724)
Operation and maintenance of plant services	32,132	(32,132)	38,236	(38,236)
Student transportation services	168,535	(168,535)	58,115	(58,115)
Operation of non-instructional services	951	(951)	3,398	(3,398)
<b>Total</b>	<u>\$4,144,712</u>	<u>\$ (908,141)</u>	<u>\$ 4,387,385</u>	<u>\$ (1,191,479)</u>

- The cost of all governmental activities this year was \$4.1 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 \$908,141 was financed by general revenues, which are made up primarily of state aid of \$964,961.

**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 \$2.0 million, an increase of \$199,253 due primarily to an increase in fee for service revenues to be used for future expenditures.

**PIMA COUNTY SCHOOL RESERVE FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

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

The fund balance increased \$15,735 in the General Fund to \$538,262 as of fiscal year end. General Fund revenues and expenditures increased slightly from the prior fiscal year.

The Professional Development and Technology Grant Fund revenues increased \$238,264 from the prior fiscal year.

The Other Federal Projects Fund revenues decreased \$135,254 as a result of decreased elementary and secondary school counseling grants.

The Fee for Service Fund revenues increased \$243,172 due to the addition of new service programs offered during the fiscal year, this resulted in an increase in fund balance of \$156,679.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Reserve revised the General Fund annual expenditure budget due to a loss of budget capacity resulting in a decline in student average daily membership. The difference between the original budget and the final amended budget was a \$20,571 decrease, or 2 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 favorable variance of \$65,400 in state aid and grants was a primarily result of more than anticipated revenues related to transportation and special education.
- The favorable variance of \$87,390 in support services - administration was a result of the addition of a new position for assessment and evaluation that was not budgeted.
- The favorable variance of \$71,629 in student transportation was a result of an unanticipated increase in transportation costs.

**PIMA COUNTY SCHOOL RESERVE FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of year end, the Reserve had invested \$900,347 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 \$9,150 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$57,031. The net capital asset balance was \$376,262 at June 30, 2011, and \$424,143 at June 30, 2010. 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 2011-12 budget. Among them:

- Available fiscal year 2010-11 budget balance carry forward.
- Student population in the Jail and Detention Center.
- Employee salaries.

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 2011-12. Budgeted expenditures in the General Fund decreased 6 percent to \$746,700 in fiscal year 2011-12. The primary reason for the decrease is attributable to an adjustment made due to low attendance.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**PIMA COUNTY SCHOOL RESERVE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 1,817,696
Accounts receivable	168,613
Due from governmental entities	237,198
Prepaid items	26,692
Total current assets	2,250,199
Noncurrent assets:	
Land improvements	36,466
Buildings and improvements	151,880
Vehicles, furniture and equipment	712,001
Accumulated depreciation	(524,085)
Total noncurrent assets	376,262
<b>Total assets</b>	<b>2,626,461</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	96,024
Accrued payroll and employee benefits	104,783
Compensated absences payable	31,061
Unearned revenues	16,664
Total current liabilities	248,532
Noncurrent liabilities:	
Non-current portion of long-term obligations	28,568
Total noncurrent liabilities	28,568
<b>Total liabilities</b>	<b>277,100</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets	376,262
Restricted for:	
Special purposes	418,993
Capital outlay	329,014
Unrestricted	1,225,092
<b>Total net assets</b>	<b>\$ 2,349,361</b>

The notes to the basic 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, 2011**

	General	Professional Development and Technology Grants	Other Federal Projects
<b><u>ASSETS</u></b>			
Cash and investments	\$ 503,947	\$	\$ 2,023
Accounts receivable	11,000		6,420
Due from governmental entities	62,487	136,716	18,612
Due from other funds	1,042		
Prepaid items	4,346		
<b>Total assets</b>	<b>\$ 582,822</b>	<b>\$ 136,716</b>	<b>\$ 27,055</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 16,243	\$ 45,218	\$ 3,039
Due to other funds		70,505	272
Accrued payroll and employee benefits	28,317	20,993	11,596
Deferred revenues			
<b>Total liabilities</b>	<b>44,560</b>	<b>136,716</b>	<b>14,907</b>
Fund balances:			
Nonspendable	4,346		
Restricted			12,148
Committed			
Assigned	1,149		
Unassigned	532,767		
<b>Total fund balances</b>	<b>538,262</b>		<b>12,148</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 582,822</b>	 <b>\$ 136,716</b>	 <b>\$ 27,055</b>

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

<u>Small Schools</u>	<u>Fee For Service</u>	<u>School Plant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 142,804	\$ 190,898	\$ 441,884	\$ 536,140	\$ 1,817,696
15,410	128,021		7,762	168,613
			19,383	237,198
80,950				81,992
4,346	15,000		3,000	26,692
<u>\$ 243,510</u>	<u>\$ 333,919</u>	<u>\$ 441,884</u>	<u>\$ 566,285</u>	<u>\$ 2,332,191</u>
\$	\$ 17,444	\$	\$ 14,080	\$ 96,024
			11,215	81,992
3,635	11,900		28,342	104,783
			16,664	16,664
<u>3,635</u>	<u>29,344</u>		<u>70,301</u>	<u>299,463</u>
4,346	15,000		3,000	26,692
235,529			488,882	736,559
	289,575			289,575
		441,884	4,102	447,135
<u>239,875</u>	<u>304,575</u>	<u>441,884</u>	<u>495,984</u>	<u>2,032,728</u>
<u>\$ 243,510</u>	<u>\$ 333,919</u>	<u>\$ 441,884</u>	<u>\$ 566,285</u>	<u>\$ 2,332,191</u>

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**PIMA COUNTY SCHOOL RESERVE FUND  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Total governmental fund balances** **\$ 2,032,728**

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

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

Governmental capital assets	\$ 900,347	
Less accumulated depreciation	<u>(524,085)</u>	376,262

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(59,629)</u>
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**Net assets of governmental activities** **\$ 2,349,361**

**The notes to the basic 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, 2011**

	General	Professional Development and Technology Grants	Other Federal Projects
<b>Revenues:</b>			
Other local	\$ 306,412	\$	\$
State aid and grants	781,187		
Federal aid, grants and reimbursements	7,723	1,437,729	476,622
<b>Total revenues</b>	1,095,322	1,437,729	476,622
<b>Expenditures:</b>			
Current -			
Instruction	530,312	593,607	
Support services - students and staff	121,625	604,684	390,976
Support services - administration	283,792	232,519	68,674
Operation and maintenance of plant services	27,188	2,083	
Student transportation services	125,337		
Capital outlay	5,000		7,497
<b>Total expenditures</b>	1,093,254	1,432,893	467,147
<b>Excess (deficiency) of revenues over expenditures</b>	2,068	4,836	9,475
<b>Other financing sources (uses):</b>			
Transfer in	9,321		
Transfer out		(4,836)	(2,319)
<b>Total other financing sources (uses):</b>	9,321	(4,836)	(2,319)
<b>Changes in fund balances</b>	11,389		7,156
<b>Fund balances, beginning of year</b>	522,527		4,992
Increase (decrease) in reserve for prepaid items	4,346		
<b>Fund balances, end of year</b>	\$ 538,262	\$	\$ 12,148

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

<u>School Plant</u>	<u>Small Schools</u>	<u>Fee For Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,786	\$ 21,217 93,300	\$ 643,617	\$ 59,994 94,580 370,743	\$ 1,034,026 969,067 2,292,817
<u>2,786</u>	<u>114,517</u>	<u>643,617</u>	<u>525,317</u>	<u>4,295,910</u>
6,013			151,863	1,281,795
2,867	26,035	464,701	292,766	1,903,654
6,324	82,915	31,041	12,137	717,402
	7,481	1,355	339	38,446
				125,337
<u>1,512</u>	<u>9,150</u>	<u>4,569</u>	<u>28,987</u>	<u>56,715</u>
<u>16,716</u>	<u>125,581</u>	<u>501,666</u>	<u>486,092</u>	<u>4,123,349</u>
<u>(13,930)</u>	<u>(11,064)</u>	<u>141,951</u>	<u>39,225</u>	<u>172,561</u>
				9,321
		<u>(272)</u>	<u>(1,894)</u>	<u>(9,321)</u>
		<u>(272)</u>	<u>(1,894)</u>	
<u>(13,930)</u>	<u>(11,064)</u>	<u>141,679</u>	<u>37,331</u>	<u>172,561</u>
455,814	246,593	147,896	455,653	1,833,475
	4,346	15,000	3,000	26,692
<u>\$ 441,884</u>	<u>\$ 239,875</u>	<u>\$ 304,575</u>	<u>\$ 495,984</u>	<u>\$ 2,032,728</u>

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**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, 2011**

**Net changes in fund balances - total governmental funds** **\$ 199,253**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 9,150	
Less current year depreciation	<u>(57,031)</u>	(47,881)

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>(174)</u>
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**Change in net assets in governmental activities** **\$ 151,198**

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

**PIMA COUNTY SCHOOL RESERVE FUND  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2011**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 500
<b>Total assets</b>	<u>\$ 500</u>
<b><u>LIABILITIES</u></b>	
Deposits held for others	\$ 500
<b>Total liabilities</b>	<u>\$ 500</u>

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

**PIMA COUNTY SCHOOL RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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 Pima County School Superintendent's Office is a department 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, 2011**

**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, 2011**

**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. The General Fund includes the Reserve's Maintenance and Operation Fund as well as the Medicaid Reimbursement and Administrative Costs Funds. These funds are maintained as separate funds for accounting and budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

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.

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.

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

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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. 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.

**PIMA COUNTY SCHOOL RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

**H. 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.

**I. 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.

**PIMA COUNTY SCHOOL RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**J. 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.

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

*Nonspendable.* The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

*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.

*Committed.* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action 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 it employed to previously commit those accounts.

*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 of Supervisors action.

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS (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.

The table below provides detail of the major components of the Reserve’s fund balance classifications at year end.

	<u>General Fund</u>	<u>Other Federal Projects Fund</u>	<u>School Plant Fund</u>	<u>Small Schools Fund</u>	<u>Fee For Service Fund</u>	<u>Non-Major Governmental Funds</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Prepaid items	\$ 4,346	\$	\$	\$ 4,346	\$ 15,000	\$ 3,000
<b>Restricted:</b>						
Capital projects						329,014
Voter approved initiatives						98,505
Federal and State projects		12,148				
Auxiliary operations						14,387
Small school support				235,529		
Other purposes						46,976
<b>Committed:</b>						
Other purposes					289,575	
<b>Assigned:</b>						
Capital projects			441,884			
Other purposes	1,149					4,102
<b>Unassigned</b>	<u>532,767</u>					
Total fund balances	<u>\$ 538,262</u>	<u>\$ 12,148</u>	<u>\$ 441,884</u>	<u>\$ 239,875</u>	<u>\$ 304,575</u>	<u>\$ 495,984</u>

**PIMA COUNTY SCHOOL RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

The July 1, 2010 fund balances of certain funds do not agree to the prior year financial statements for the reclassification of certain funds based on the fund type definitions specified in GASB Statement No. 54.

**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 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, 2011**

**NOTE 4 – CASH AND INVESTMENTS (Concl'd)**

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's investment pool	198 days	<u>\$ 1,818,196</u>
Total		<u>\$ 1,818,196</u>

*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.

**PIMA COUNTY SCHOOL RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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	Other Federal Projects Fund	Non-Major Governmental Funds
Due from other governmental entities:				
Due from Federal government	\$	\$ 136,716	\$ 18,612	\$ 11,576
Due from State government				7,807
Due from school districts	<u>62,487</u>			
Net due from governmental entities	<u>\$ 62,487</u>	<u>\$ 136,716</u>	<u>\$ 18,612</u>	<u>\$ 19,383</u>

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 \$16,664 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, 2011**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2011 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	702,851	9,150		712,001
Total capital assets being depreciated	<u>891,197</u>	<u>9,150</u>		<u>900,347</u>
Less accumulated depreciation for:				
Land improvements	(23,622)	(1,818)		(25,440)
Buildings and improvements	(107,899)	(3,405)		(111,304)
Vehicles, furniture and equipment	(335,533)	(51,808)		(387,341)
Total accumulated depreciation	<u>(467,054)</u>	<u>(57,031)</u>		<u>(524,085)</u>
Total capital assets, being depreciated, net	<u>424,143</u>	<u>(47,881)</u>		<u>376,262</u>
Governmental activities capital assets, net	<u>\$ 424,143</u>	<u>\$ (47,881)</u>	<u>\$</u>	<u>\$ 376,262</u>

Depreciation expense was charged to governmental functions as follows.

Instruction	\$ 5,511
Support services – students and staff	6,256
Support services - administration	6,347
Student transportation services	<u>38,917</u>
Total depreciation expense – governmental activities	<u>\$57,031</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – OBLIGATIONS UNDER OPEARATING LEASES**

The Reserve leases buildings 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 leases totaled \$94,356 for the current fiscal year. The special program’s building operating lease has a remaining noncancelable lease term through December 31, 2011 and provides renewal options. The Joint Technological Education District building operating lease has a lease term of 15 months through September 30, 2011. 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:	
2012	\$ 49,756
2013	23,224
2014	<u>5,806</u>
Total minimum payments required	<u>\$ 78,786</u>

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end interfund balances were as follows.

**Due to/from other funds:**

	Due from			
Due to	Professional Development and Technology Grant Fund	Other Federal Projects Fund	Non-Major Governmental Funds	Total
General Fund	\$	\$ 272	\$ 770	\$ 1,042
Small Schools Fund	70,505		10,445	80,950
Total	<u>\$ 70,505</u>	<u>\$ 272</u>	<u>\$ 11,868</u>	<u>\$ 81,992</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 Small Schools Fund. All interfund balances are expected to be paid within one year.

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)**

**Interfund transfers:**

Transfer out	Transfer in General Fund
Professional Development and Technology Grant Fund	\$ 4,836
Other Federal Projects Fund	2,319
Fee For Services Fund	272
Non-Major Governmental Funds	1,894
Total	\$ 9,321

Transfers between funds were used to move funds restricted for indirect costs to the General Fund.

**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
<b>Governmental activities:</b>					
Compensated absences payable	\$ 59,455	\$ 41,149	\$ 40,975	\$ 59,629	\$ 31,061
Governmental activity long-term liabilities	\$ 59,455	\$ 41,149	\$ 40,975	\$ 59,629	\$ 31,061

**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, 2011**

**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 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Reserve contributes to the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)**

**Plan Description** – Benefits are established by state statute and the plan generally provides retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are paid as a fixed dollar amount per month towards the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or dependents.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778. The report is also available on the ASRS’ website at [www.azasrs.gov](http://www.azasrs.gov).

**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 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement and 0.59 percent for health insurance premiums, and 0.25 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:			
2011	\$ 150,972	\$ 9,886	\$ 4,189
2010	162,909	12,892	7,813
2009	120,832	14,518	7,561

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**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  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other local	\$ 59,285	\$ 59,285	\$ 54,758	\$ (4,527)
State aid and grants	715,787	715,787	781,187	65,400
Federal aid, grants and reimbursements			7,723	7,723
<b>Total revenues</b>	<u>775,072</u>	<u>775,072</u>	<u>843,668</u>	<u>68,596</u>
<b>Expenditures:</b>				
<b>Regular education</b>				
Instruction	340,503	359,271	345,162	14,109
Support services - students and staff	18,989	12,794	11,139	1,655
Support services - administration	284,529	292,388	204,998	87,390
Operation and maintenance of plant services	11,735	12,382	11,896	486
<b>Total regular education</b>	<u>655,756</u>	<u>676,835</u>	<u>573,195</u>	<u>103,640</u>
<b>Special education</b>				
Instruction	206,727	189,886	185,150	4,736
Support services - students and staff	33,923	9,114	8,887	227
<b>Total special education</b>	<u>240,650</u>	<u>199,000</u>	<u>194,037</u>	<u>4,963</u>
<b>Pupil transportation</b>				
Student transportation services	196,966	196,966	125,337	71,629
<b>Total pupil transportation</b>	<u>196,966</u>	<u>196,966</u>	<u>125,337</u>	<u>71,629</u>
<b>Total expenditures</b>	<u>1,093,372</u>	<u>1,072,801</u>	<u>892,569</u>	<u>180,232</u>
<b>Changes in fund balances</b>	<u>(318,300)</u>	<u>(297,729)</u>	<u>(48,901)</u>	<u>248,828</u>
<b>Fund balances, beginning of year</b>			116,784	116,784
<b>Fund balances (deficits), end of year</b>	<u>\$ (318,300)</u>	<u>\$ (297,729)</u>	<u>\$ 67,883</u>	<u>\$ 365,612</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Federal aid, grants and reimbursements	\$	\$	\$ 1,437,729	\$ 1,437,729
<b>Total revenues</b>			<u>1,437,729</u>	<u>1,437,729</u>
<b>Expenditures:</b>				
Current -				
Instruction	789,976	764,004	593,607	170,397
Support services - students and staff	804,717	778,261	604,684	173,577
Support services - administration	309,438	299,264	232,519	66,745
Operation and maintenance of plant services	2,722	2,681	2,083	598
<b>Total expenditures</b>	<u>1,906,853</u>	<u>1,844,210</u>	<u>1,432,893</u>	<u>411,317</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,906,853)</u>	<u>(1,844,210)</u>	<u>4,836</u>	<u>1,849,046</u>
<b>Other financing sources (uses):</b>				
Transfer out	(4,836)	(4,836)	(4,836)	
<b>Total other financing sources (uses):</b>	<u>(4,836)</u>	<u>(4,836)</u>	<u>(4,836)</u>	
<b>Changes in fund balances</b>	<u>(1,911,689)</u>	<u>(1,849,046)</u>		<u>1,849,046</u>
<b>Fund balances, beginning of year</b>				
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,911,689)</u>	<u>\$ (1,849,046)</u>	<u>\$</u>	<u>\$ 1,849,046</u>

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Federal aid, grants and reimbursements	\$	\$	\$ 476,622	\$ 476,622
<b>Total revenues</b>			<u>476,622</u>	<u>476,622</u>
<b>Expenditures:</b>				
Current -				
Support services - students and staff	870,781	885,652	390,976	494,676
Support services - administration	152,951	155,562	68,674	86,888
Capital outlay	16,697	16,982	7,497	9,485
<b>Total expenditures</b>	<u>1,040,429</u>	<u>1,058,196</u>	<u>467,147</u>	<u>591,049</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,040,429)</u>	<u>(1,058,196)</u>	<u>9,475</u>	<u>1,067,671</u>
<b>Other financing sources (uses):</b>				
Transfer out	(2,319)	(2,319)	(2,319)	
<b>Total other financing sources (uses):</b>	<u>(2,319)</u>	<u>(2,319)</u>	<u>(2,319)</u>	
<b>Changes in fund balances</b>	<u>(1,042,748)</u>	<u>(1,060,515)</u>	<u>7,156</u>	<u>1,067,671</u>
<b>Fund balances, beginning of year</b>			4,992	4,992
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,042,748)</u>	<u>\$ (1,060,515)</u>	<u>\$ 12,148</u>	<u>\$ 1,072,663</u>

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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Other local	\$	\$ 21,217	\$ 21,217
State aid and grants		93,300	93,300
<b>Total revenues</b>		<u>114,517</u>	<u>114,517</u>
<b>Expenditures:</b>			
Current -			
Support services - students and staff		26,035	(26,035)
Support services - administration		82,915	(82,915)
Operation and maintenance of plant services		7,481	(7,481)
Capital outlay		9,150	(9,150)
<b>Total expenditures</b>		<u>125,581</u>	<u>(125,581)</u>
<b>Changes in fund balances</b>		<u>(11,064)</u>	<u>(11,064)</u>
<b>Fund balances, beginning of year</b>		246,593	246,593
Increase (decrease) in reserve for prepaid items		4,346	4,346
<b>Fund balances, end of year</b>	<u>\$</u>	<u>\$ 239,875</u>	<u>\$ 239,875</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**  
**YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 643,617	\$ 643,617
<b>Total revenues</b>		643,617	643,617
<b>Expenditures:</b>			
Current -			
Support services - students and staff		464,701	(464,701)
Support services - administration		31,041	(31,041)
Operation and maintenance of plant services		1,355	(1,355)
Capital outlay		4,569	(4,569)
<b>Total expenditures</b>		501,666	(501,666)
<b>Excess (deficiency) of revenues over expenditures</b>		141,951	141,951
<b>Other financing sources (uses):</b>			
Transfer out		(272)	(272)
<b>Total other financing sources (uses):</b>		(272)	(272)
<b>Changes in fund balances</b>		141,679	141,679
<b>Fund balances, beginning of year</b>		147,896	147,896
Increase (decrease) in reserve for prepaid items		15,000	15,000
<b>Fund balances, end of year</b>	\$	\$ 304,575	\$ 304,575

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the District is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception. Certain funds were budgeted for separately as special revenue funds but reported in the General fund in accordance with GASB 54. Consequently, the following adjustments were necessary to present actual expenditures, fund balance at July 1, 2010 and fund balance at June 30, 2011 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, June 30, 2011</u>	<u>Fund Balance, July 1, 2010</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 1,093,254	\$ 538,262	\$522,527
Fiscal year 2010-11 activity budgeted as special revenue funds	<u>(200,685)</u>	<u>(470,379)</u>	<u>(405,743)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 892,569</u>	<u>\$ 67,883</u>	<u>\$ 116,784</u>

**NOTE 2 – EXCESS EXPENDITURES OVER BUDGET**

At year end, the Fee for Service Fund had expenditures of \$501,666; however, no expenditures were budgeted and this does not constitute a violation of any legal provisions.

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

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**GOVERNMENTAL FUNDS**

**PIMA COUNTY SCHOOL RESERVE FUND**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non- Major Governmental Fund</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 203,024	\$ 333,116	\$ 536,140
Accounts receivable	7,762		7,762
Due from governmental entities	19,383		19,383
Prepaid items	3,000		3,000
<b>Total assets</b>	<b><u><u>\$ 233,169</u></u></b>	<b><u><u>\$ 333,116</u></u></b>	<b><u><u>\$ 566,285</u></u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 14,080	\$	\$ 14,080
Due to other funds	11,215		11,215
Accrued payroll and employee benefits	28,342		28,342
Deferred revenues	16,664		16,664
<b>Total liabilities</b>	<b><u><u>70,301</u></u></b>		<b><u><u>70,301</u></u></b>
Fund balances:			
Nonspendable	3,000		3,000
Restricted	159,868	329,014	488,882
Assigned		4,102	4,102
<b>Total fund balances</b>	<b><u><u>162,868</u></u></b>	<b><u><u>333,116</u></u></b>	<b><u><u>495,984</u></u></b>
 <b>Total liabilities and fund balances</b>	 <b><u><u>\$ 233,169</u></u></b>	 <b><u><u>\$ 333,116</u></u></b>	 <b><u><u>\$ 566,285</u></u></b>

**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, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Other local	\$ 49,717	\$ 10,277	\$ 59,994
State aid and grants	44,582	49,998	94,580
Federal aid, grants and reimbursements	370,743		370,743
<b>Total revenues</b>	<b>465,042</b>	<b>60,275</b>	<b>525,317</b>
<b>Expenditures:</b>			
Current -			
Instruction	151,863		151,863
Support services - students and staff	292,766		292,766
Support services - administration	12,137		12,137
Operation and maintenance of plant services	339		339
Capital outlay		28,987	28,987
<b>Total expenditures</b>	<b>457,105</b>	<b>28,987</b>	<b>486,092</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,937</b>	<b>31,288</b>	<b>39,225</b>
<b>Other financing sources (uses):</b>			
Transfer out	(1,894)		(1,894)
<b>Total other financing sources (uses):</b>	<b>(1,894)</b>		<b>(1,894)</b>
<b>Changes in fund balances</b>	<b>6,043</b>	<b>31,288</b>	<b>37,331</b>
<b>Fund balances, beginning of year</b>	<b>153,825</b>	<b>301,828</b>	<b>455,653</b>
Increase (decrease) in reserve for prepaid items	3,000		3,000
<b>Fund balances, end of year</b>	<b>\$ 162,868</b>	<b>\$ 333,116</b>	<b>\$ 495,984</b>

## **SPECIAL REVENUE FUNDS**

The following 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.

**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.

**Vocational Education Fund** - to account for financial assistance for preparation of individuals for employment or advancement in a career not requiring a baccalaureate or advanced degree.

**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.

**Administrative Costs** – to account for monies received from other districts and transferred from Federal, State, and local projects for administrative costs.

**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, 2011**

	<u>Classroom Site</u>	<u>Instructional Improvement</u>	<u>Title I Grants</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 66,426	\$ 46,272	\$ 7,042
Accounts receivable			
Due from governmental entities	5,903	1,904	3,651
Prepaid items			
<b>Total assets</b>	<u><u>\$ 72,329</u></u>	<u><u>\$ 48,176</u></u>	<u><u>\$ 10,693</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$	\$	\$ 4,260
Due to other funds			67
Accrued payroll and employee benefits	22,000		6,342
Deferred revenues			24
<b>Total liabilities</b>	<u><u>22,000</u></u>		<u><u>10,693</u></u>
Fund balances:			
Nonspendable			
Restricted	50,329	48,176	
<b>Total fund balances</b>	<u><u>50,329</u></u>	<u><u>48,176</u></u>	
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 72,329</u></u>	 <u><u>\$ 48,176</u></u>	 <u><u>\$ 10,693</u></u>

Limited English & Immigrant Students	Special Education Grants	Vocational Education	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$ 19,395	\$	\$ 2,910	\$ 14,387	\$ 2,745
7,464	461	3,000			
<u>\$ 7,464</u>	<u>\$ 19,856</u>	<u>\$ 3,000</u>	<u>\$ 2,910</u>	<u>\$ 14,387</u>	<u>\$ 2,745</u>
\$ 3,741 3,723	\$ 6,079 47				
<u>7,464</u>	<u>13,730</u> <u>19,856</u>		<u>2,910</u> <u>2,910</u>		
		3,000		14,387	2,745
		<u>3,000</u>		<u>14,387</u>	<u>2,745</u>
<u>\$ 7,464</u>	<u>\$ 19,856</u>	<u>\$ 3,000</u>	<u>\$ 2,910</u>	<u>\$ 14,387</u>	<u>\$ 2,745</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND  
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

	Fingerprint	Insurance Proceeds	Litigation Recovery
<b><u>ASSETS</u></b>			
Cash and investments	\$ 124	\$ 6,765	\$ 11,679
Accounts receivable			
Due from governmental entities			
Prepaid items			
<b>Total assets</b>	\$ 124	\$ 6,765	\$ 11,679
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits			
Deferred revenues			
<b>Total liabilities</b>			
Fund balances:			
Nonspendable			
Restricted	124	6,765	11,679
<b>Total fund balances</b>	124	6,765	11,679
 <b>Total liabilities and fund balances</b>	\$ 124	\$ 6,765	\$ 11,679

<u>Unemployment Insurance</u>	<u>Teacherage</u>	<u>United Way Early Childhood</u>	<u>Totals</u>
\$ 50	\$ 25,229	\$ 7,762	\$ 203,024
			7,762
			19,383
			3,000
<u>\$ 50</u>	<u>\$ 25,229</u>	<u>\$ 7,762</u>	<u>\$ 233,169</u>
\$	\$	\$	\$ 14,080
		7,378	11,215
			28,342
			16,664
		<u>7,378</u>	<u>70,301</u>
			3,000
<u>50</u>	<u>25,229</u>	<u>384</u>	<u>159,868</u>
<u>50</u>	<u>25,229</u>	<u>384</u>	<u>162,868</u>
<u>\$ 50</u>	<u>\$ 25,229</u>	<u>\$ 7,762</u>	<u>\$ 233,169</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2011**

	Classroom Site	Instructional Improvement	Title I Grants
<b>Revenues:</b>			
Other local	\$ 333	\$ 263	\$
State aid and grants	35,990	4,486	
Federal aid, grants and reimbursements			189,554
<b>Total revenues</b>	36,323	4,749	189,554
<b>Expenditures:</b>			
Current -			
Instruction	36,512		91,588
Support services - students and staff			93,195
Support services - administration			4,771
Operation and maintenance of plant services			
<b>Total expenditures</b>	36,512		189,554
<b>Excess (deficiency) of revenues over expenditures</b>	(189)	4,749	
<b>Other financing sources (uses):</b>			
Transfer out			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>	(189)	4,749	
<b>Fund balances, beginning of year</b>	50,518	43,427	
Increase (decrease) in reserve for prepaid items			
<b>Fund balances, end of year</b>	\$ 50,329	\$ 48,176	\$

Limited English & Immigrant Students	Special Education Grants	Vocational Education	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$	\$	\$	\$ 85	\$ 1,071
45,736	44,206	91,247	4,106		
<u>45,736</u>	<u>44,206</u>	<u>91,247</u>	<u>4,106</u>	<u>85</u>	<u>1,071</u>
16,663	7,100				
28,812	36,839	91,247	3,767		
	267				
			339		
<u>45,475</u>	<u>44,206</u>	<u>91,247</u>	<u>4,106</u>		
261				85	1,071
(261)					
<u>(261)</u>					
				85	1,071
				14,302	1,674
		3,000			
<u>\$</u>	<u>\$</u>	<u>\$ 3,000</u>	<u>\$</u>	<u>\$ 14,387</u>	<u>\$ 2,745</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2011**

	Fingerprint	Insurance Proceeds	Litigation Recovery
<b>Revenues:</b>			
Other local	\$	\$ 40	\$ 107
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>		40	107
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>		40	107
<b>Other financing sources (uses):</b>			
Transfer out			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>		40	107
<b>Fund balances, beginning of year</b>	124	6,725	11,572
Increase (decrease) in reserve for prepaid items			
<b>Fund balances, end of year</b>	\$ 124	\$ 6,765	\$ 11,679

<u>Unemployment Insurance</u>	<u>Teacherage</u>	<u>United Way Early Childhood</u>	<u>Totals</u>
\$ 6,968	\$ 149	\$ 40,701	\$ 49,717
			44,582
			370,743
<u>6,968</u>	<u>149</u>	<u>40,701</u>	<u>465,042</u>
			151,863
		38,906	292,766
6,944		155	12,137
			339
<u>6,944</u>		<u>39,061</u>	<u>457,105</u>
			151,863
			292,766
			12,137
			339
<u>24</u>	<u>149</u>	<u>1,640</u>	<u>7,937</u>
			151,863
		(1,633)	(1,894)
		<u>(1,633)</u>	<u>(1,894)</u>
			151,863
			(1,894)
<u>24</u>	<u>149</u>	<u>7</u>	<u>6,043</u>
			151,863
			(1,894)
			6,043
			153,825
			3,000
<u>\$ 50</u>	<u>\$ 25,229</u>	<u>\$ 384</u>	<u>\$ 162,868</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, 2011**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 333	\$ 333
State aid and grants		35,990	35,990
Federal aid, grants and reimbursements			
<b>Total revenues</b>		<u>36,323</u>	<u>36,323</u>
<b>Expenditures:</b>			
Current -			
Instruction	61,712	36,512	25,200
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>	<u>61,712</u>	<u>36,512</u>	<u>25,200</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(61,712)</u>	<u>(189)</u>	<u>61,523</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>	<u>(61,712)</u>	<u>(189)</u>	<u>61,523</u>
<b>Fund balances, beginning of year</b>		50,518	50,518
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<u>\$ (61,712)</u>	<u>\$ 50,329</u>	<u>\$ 112,041</u>

Instructional Improvement			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 263	\$ 263	\$	\$	\$
	4,486	4,486			
	<u>4,749</u>	<u>4,749</u>		<u>189,554</u>	<u>189,554</u>
				<u>189,554</u>	<u>189,554</u>
51,782		51,782	92,679	91,588	1,091
			94,459	93,195	1,264
			5,211	4,771	440
<u>51,782</u>		<u>51,782</u>	<u>192,349</u>	<u>189,554</u>	<u>2,795</u>
<u>(51,782)</u>	<u>4,749</u>	<u>56,531</u>	<u>(192,349)</u>		<u>192,349</u>
<u>(51,782)</u>	<u>4,749</u>	<u>56,531</u>	<u>(192,349)</u>		<u>192,349</u>
	43,427	43,427			
<u>\$ (51,782)</u>	<u>\$ 48,176</u>	<u>\$ 99,958</u>	<u>\$ (192,349)</u>	<u>\$</u>	<u>\$ 192,349</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, 2011**

	Limited English & Immigrant Students		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		45,736	45,736
<b>Total revenues</b>		<u>45,736</u>	<u>45,736</u>
<b>Expenditures:</b>			
Current -			
Instruction	24,958	16,663	8,295
Support services - students and staff	43,154	28,812	14,342
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>	<u>68,112</u>	<u>45,475</u>	<u>22,637</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(68,112)</u>	<u>261</u>	<u>68,373</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out	(261)	(261)	
<b>Total other financing sources (uses):</b>	<u>(261)</u>	<u>(261)</u>	
<b>Changes in fund balances</b>	<u>(68,373)</u>		<u>68,373</u>
<b>Fund balances, beginning of year</b>			
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<u>\$ (68,373)</u>	<u>\$</u>	<u>\$ 68,373</u>

Special Education Grants			Vocational Education		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	44,206	44,206		91,247	91,247
	44,206	44,206		91,247	91,247
12,381	7,100	5,281			
64,239	36,839	27,400		91,247	(91,247)
465	267	198			
<u>77,085</u>	<u>44,206</u>	<u>32,879</u>		<u>91,247</u>	<u>(91,247)</u>
<u>(77,085)</u>		<u>77,085</u>			
<u>(77,085)</u>		<u>77,085</u>			
				3,000	3,000
<u>\$ (77,085)</u>	<u>\$</u>	<u>\$ 77,085</u>	<u>\$</u>	<u>\$ 3,000</u>	<u>\$ 3,000</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, 2011**

	Medicaid Reimbursement		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>	<hr/>	<hr/>	<hr/>
<b>Excess (deficiency) of revenues over expenditures</b>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses):</b>	<hr/>	<hr/>	<hr/>
<b>Changes in fund balances</b>	<hr/>	<hr/>	<hr/>
<b>Fund balances, beginning of year</b>		1,149	1,149
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<hr/> <hr/>	<hr/> <hr/> \$ 1,149	<hr/> <hr/> \$ 1,149

Other State Projects			Extracurricular Activities Fees Tax Credit		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,106	\$ 4,106	\$	\$ 85	\$ 85
	<u>4,106</u>	<u>4,106</u>		<u>85</u>	<u>85</u>
1,376	3,767	(2,391)	14,365		14,365
124	339	(215)			
<u>1,500</u>	<u>4,106</u>	<u>(2,606)</u>	<u>14,365</u>		<u>14,365</u>
<u>(1,500)</u>		<u>1,500</u>	<u>(14,365)</u>	<u>85</u>	<u>14,450</u>
<u>(1,500)</u>		<u>1,500</u>	<u>(14,365)</u>	<u>85</u>	<u>14,450</u>
				14,302	14,302
<u>\$ (1,500)</u>	<u>\$</u>	<u>\$ 1,500</u>	<u>\$ (14,365)</u>	<u>\$ 14,387</u>	<u>\$ 28,752</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, 2011**

	Gifts and Donations		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 1,071	\$ 1,071
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>		<u>1,071</u>	<u>1,071</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>		<u>1,071</u>	<u>1,071</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>		<u>1,071</u>	<u>1,071</u>
<b>Fund balances, beginning of year</b>		1,674	1,674
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<u>\$</u>	<u>\$ 2,745</u>	<u>\$ 2,745</u>

Fingerprint			Insurance Proceeds		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 40	\$ 40
				40	40
125		125	6,750		6,750
<u>125</u>		<u>125</u>	<u>6,750</u>		<u>6,750</u>
<u>(125)</u>		<u>125</u>	<u>(6,750)</u>	<u>40</u>	<u>6,790</u>
<u>(125)</u>		<u>125</u>	<u>(6,750)</u>	<u>40</u>	<u>6,790</u>
	124	124		6,725	6,725
<u>\$ (125)</u>	<u>\$ 124</u>	<u>\$ 249</u>	<u>\$ (6,750)</u>	<u>\$ 6,765</u>	<u>\$ 13,515</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, 2011**

	Litigation Recovery		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 107	\$ 107
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>	<u>                    </u>	<u>                    107</u>	<u>                    107</u>
<b>Expenditures:</b>			
Current -			
Instruction	715		715
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>	<u>                    715</u>	<u>                                    </u>	<u>                    715</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>                    (715)</u>	<u>                    107</u>	<u>                    822</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses):</b>	<u>                                    </u>	<u>                                    </u>	<u>                                    </u>
<b>Changes in fund balances</b>	<u>                    (715)</u>	<u>                    107</u>	<u>                    822</u>
<b>Fund balances, beginning of year</b>		11,572	11,572
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<u>                    \$ (715)</u>	<u>                    \$ 11,679</u>	<u>                    \$ 12,394</u>

Administrative Costs			Unemployment Insurance		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 251,654	\$ 251,654	\$	\$ 6,968	\$ 6,968
	<u>251,654</u>	<u>251,654</u>		<u>6,968</u>	<u>6,968</u>
2,804	101,599	(98,795)			
2,175	78,794	(76,619)		6,944	(6,944)
422	15,292	(14,870)			
138	5,000	(4,862)			
<u>5,539</u>	<u>200,685</u>	<u>(195,146)</u>		<u>6,944</u>	<u>(6,944)</u>
<u>(5,539)</u>	<u>50,969</u>	<u>56,508</u>		<u>24</u>	<u>24</u>
	9,321	9,321			
	<u>9,321</u>	<u>9,321</u>			
<u>(5,539)</u>	<u>60,290</u>	<u>65,829</u>		<u>24</u>	<u>24</u>
	404,594	404,594		26	26
	4,346	4,346			
<u>\$ (5,539)</u>	<u>\$ 469,230</u>	<u>\$ 474,769</u>	<u>\$</u>	<u>\$ 50</u>	<u>\$ 50</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, 2011**

	Teacherage		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 149	\$ 149
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>	<u>                    </u>	<u>                    149</u>	<u>                    149</u>
<b>Expenditures:</b>			
Current -			
Instruction	25,189		25,189
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
<b>Total expenditures</b>	<u>                    25,189</u>	<u>                                    </u>	<u>                    25,189</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>                    (25,189)</u>	<u>                                    149</u>	<u>                    25,338</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses):</b>	<u>                                    </u>	<u>                                    </u>	<u>                                    </u>
<b>Changes in fund balances</b>	<u>                    (25,189)</u>	<u>                                    149</u>	<u>                    25,338</u>
<b>Fund balances, beginning of year</b>		25,080	25,080
Increase (decrease) in reserve for prepaid items			
<b>Fund balances (deficits), end of year</b>	<u>                    \$ (25,189)</u>	<u>                    \$ 25,229</u>	<u>                    \$ 50,418</u>

United Way Early Childhood			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 40,701	\$ 40,701	\$	\$ 301,371	\$ 301,371
				44,582	44,582
				370,743	370,743
	<u>40,701</u>	<u>40,701</u>		<u>716,696</u>	<u>716,696</u>
40,538	38,906	1,632	290,656	151,863	138,793
162	155	7	246,570	394,365	(147,795)
			8,013	90,931	(82,918)
			546	15,631	(15,085)
			138	5,000	(4,862)
<u>40,700</u>	<u>39,061</u>	<u>1,639</u>	<u>545,923</u>	<u>657,790</u>	<u>(111,867)</u>
<u>(40,700)</u>	<u>1,640</u>	<u>42,340</u>	<u>(545,923)</u>	<u>58,906</u>	<u>604,829</u>
				9,321	9,321
	(1,633)	(1,633)	(261)	(1,894)	(1,633)
	<u>(1,633)</u>	<u>(1,633)</u>	<u>(261)</u>	<u>7,427</u>	<u>7,688</u>
<u>(40,700)</u>	<u>7</u>	<u>40,707</u>	<u>(546,184)</u>	<u>66,333</u>	<u>612,517</u>
	377	377		559,568	559,568
				7,346	7,346
<u>\$ (40,700)</u>	<u>\$ 384</u>	<u>\$ 41,084</u>	<u>\$ (546,184)</u>	<u>\$ 633,247</u>	<u>\$ 1,179,431</u>

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## CAPITAL PROJECTS FUNDS

The following 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.

**School Plant** - to account for proceeds from the sale or lease of school property.

**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, 2011**

	Unrestricted Capital Outlay	Soft Capital Allocation	Building Renewal
<b><u>ASSETS</u></b>			
Cash and investments	\$ 116,928	\$ 174,583	\$ 37,503
<b>Total assets</b>	<b>\$ 116,928</b>	<b>\$ 174,583</b>	<b>\$ 37,503</b>
 Fund balances:			
Restricted	116,928	174,583	37,503
Assigned			
<b>Total fund balances</b>	<b>116,928</b>	<b>174,583</b>	<b>37,503</b>
 <b>Total liabilities and fund balances</b>	<b>\$ 116,928</b>	<b>\$ 174,583</b>	<b>\$ 37,503</b>

<u>Bus Replacement</u>	<u>Totals</u>
\$ 4,102	\$ 333,116
<u>\$ 4,102</u>	<u>\$ 333,116</u>
	329,014
<u>4,102</u>	<u>4,102</u>
<u>4,102</u>	<u>333,116</u>
<u>\$ 4,102</u>	<u>\$ 333,116</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2011**

	Unrestricted Capital Outlay	Soft Capital Allocation	Building Renewal
<b>Revenues:</b>			
Other local	\$ 752	\$ 4,958	\$ 4,540
State aid and grants		49,998	
<b>Total revenues</b>	<u>752</u>	<u>54,956</u>	<u>4,540</u>
<b>Expenditures:</b>			
Capital outlay	15,810	13,177	
<b>Total expenditures</b>	<u>15,810</u>	<u>13,177</u>	
<b>Changes in fund balances</b>	<u>(15,058)</u>	<u>41,779</u>	<u>4,540</u>
<b>Fund balances, beginning of year</b>	131,986	132,804	32,963
<b>Fund balances, end of year</b>	<u>\$ 116,928</u>	<u>\$ 174,583</u>	<u>\$ 37,503</u>

Bus Replacement	Totals
\$ 27	\$ 10,277
<u>27</u>	<u>49,998</u>
	<u>60,275</u>
	28,987
	<u>28,987</u>
<u>27</u>	<u>31,288</u>
4,075	301,828
<u>\$ 4,102</u>	<u>\$ 333,116</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 ALL CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2011**

	School Plant		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 2,786	\$ 2,786
State aid and grants			
<b>Total revenues</b>	<u></u>	<u>2,786</u>	<u>2,786</u>
<b>Expenditures:</b>			
Current -			
Instruction	164,750	6,013	158,737
Support services - students and staff	78,553	2,867	75,686
Support services - administration	173,270	6,324	166,946
Capital outlay	41,427	1,512	39,915
<b>Total expenditures</b>	<u>458,000</u>	<u>16,716</u>	<u>441,284</u>
<b>Changes in fund balances</b>	<u>(458,000)</u>	<u>(13,930)</u>	<u>444,070</u>
<b>Fund balances, beginning of year</b>		455,814	455,814
<b>Fund balances (deficits), end of year</b>	<u>\$ (458,000)</u>	<u>\$ 441,884</u>	<u>\$ 899,884</u>

Unrestricted Capital Outlay			Soft Capital Allocation		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 752	\$ 752	\$	\$ 4,958	\$ 4,958
				49,998	49,998
	<u>752</u>	<u>752</u>		<u>54,956</u>	<u>54,956</u>
158,693	15,810	142,883	15,078	13,177	1,901
<u>158,693</u>	<u>15,810</u>	<u>142,883</u>	<u>15,078</u>	<u>13,177</u>	<u>1,901</u>
(158,693)	(15,058)	143,635	(15,078)	41,779	56,857
	131,986	131,986		132,804	132,804
<u>\$ (158,693)</u>	<u>\$ 116,928</u>	<u>\$ 275,621</u>	<u>\$ (15,078)</u>	<u>\$ 174,583</u>	<u>\$ 189,661</u>

**PIMA COUNTY SCHOOL RESERVE FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 ALL CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2011**

	Building Renewal		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 4,540	\$ 4,540
State aid and grants			
<b>Total revenues</b>	<u>                    </u>	<u>          4,540</u>	<u>          4,540</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Capital outlay	32,946		32,946
<b>Total expenditures</b>	<u>          32,946</u>	<u>                    </u>	<u>          32,946</u>
<b>Changes in fund balances</b>	<u>          (32,946)</u>	<u>          4,540</u>	<u>          37,486</u>
<b>Fund balances, beginning of year</b>		32,963	32,963
<b>Fund balances (deficits), end of year</b>	<u>          \$ (32,946)</u>	<u>          \$ 37,503</u>	<u>          \$ 70,449</u>

Bus Replacement			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 27	\$ 27	\$	\$ 13,063	\$ 13,063
				49,998	49,998
	<u>27</u>	<u>27</u>		<u>63,061</u>	<u>63,061</u>
			164,750	6,013	158,737
			78,553	2,867	75,686
			173,270	6,324	166,946
			248,144	30,499	217,645
			<u>664,717</u>	<u>45,703</u>	<u>619,014</u>
	<u>27</u>	<u>27</u>	<u>(664,717)</u>	<u>17,358</u>	<u>682,075</u>
	4,075	4,075		757,642	757,642
<u>\$</u>	<u>\$ 4,102</u>	<u>\$ 4,102</u>	<u>\$ (664,717)</u>	<u>\$ 775,000</u>	<u>\$ 1,439,717</u>

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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  
 AGENCY FUND  
 JUNE 30, 2011**

	Employee Withholding	Totals
<b><u>ASSETS</u></b>		
Cash and investments	\$ 500	\$ 500
<b>Total assets</b>	\$ 500	\$ 500
<b><u>LIABILITIES</u></b>		
Deposits held for others	\$ 500	\$ 500
<b>Total liabilities</b>	\$ 500	\$ 500

**PIMA COUNTY SCHOOL RESERVE FUND**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and investments	\$ _____	\$ 2,270,570	\$ 2,270,070	\$ 500
Total assets	\$ _____	\$ 2,270,570	\$ 2,270,070	\$ 500
<u>Liabilities</u>				
Deposits held for others	\$ _____	\$ 2,270,570	\$ 2,270,070	\$ 500
Total liabilities	\$ _____	\$ 2,270,570	\$ 2,270,070	\$ 500
<b><u>EMPLOYEE WITHHOLDING</u></b>				
<u>Assets</u>				
Cash and investments	\$ 18,678	\$ 165,490	\$ 184,168	\$ _____
Total assets	\$ 18,678	\$ 165,490	\$ 184,168	\$ _____
<u>Liabilities</u>				
Accounts payable	\$ 15,000	\$ _____	\$ 15,000	\$ _____
Deposits held for others	3,678	150,490	154,168	_____
Total liabilities	\$ 18,678	\$ 150,490	\$ 169,168	\$ _____
<b><u>COBRA CLEARING</u></b>				
<u>Assets</u>				
Cash and investments	\$ 3,387	\$ 11,470	\$ 14,857	\$ _____
Total assets	\$ 3,387	\$ 11,470	\$ 14,857	\$ _____
<u>Liabilities</u>				
Deposits held for others	\$ 3,387	\$ 11,470	\$ 14,857	\$ _____
Total liabilities	\$ 3,387	\$ 11,470	\$ 14,857	\$ _____
<b><u>TOTAL AGENCY</u></b>				
<u>Assets</u>				
Cash and investments	\$ 22,065	\$ 2,447,530	\$ 2,469,095	\$ 500
Total assets	\$ 22,065	\$ 2,447,530	\$ 2,469,095	\$ 500
<u>Liabilities</u>				
Accounts payable	\$ 15,000	\$ _____	\$ 15,000	\$ _____
Deposits held for others	7,065	2,432,530	2,439,095	500
Total liabilities	\$ 22,065	\$ 2,432,530	\$ 2,454,095	\$ 500

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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.

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

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Net Assets:</b>					
Invested in capital assets	\$ 376,262	\$ 424,143	\$ 440,592	\$ 237,050	\$ 218,823
Restricted	748,007	301,828	469,682	888,766	912,999
Unrestricted	1,225,092	1,472,192	1,544,706	1,496,278	1,291,031
Total net assets	<u>\$ 2,349,361</u>	<u>\$ 2,198,163</u>	<u>\$ 2,454,980</u>	<u>\$ 2,622,094</u>	<u>\$ 2,422,853</u>
	<u><b>2006</b></u>	<u><b>2005</b></u>	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Net Assets:</b>					
Invested in capital assets	\$ 765,949	\$ 790,933	\$ 856,797	\$ 830,508	\$ 806,978
Restricted	965,277	928,703	904,539	853,581	954,168
Unrestricted	347,831	366,230	481,124	621,193	677,575
Total net assets	<u>\$ 2,079,057</u>	<u>\$ 2,085,866</u>	<u>\$ 2,242,460</u>	<u>\$ 2,305,282</u>	<u>\$ 2,438,721</u>

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

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

	<b>Fiscal Year Ended June 30</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Expenses</b>					
Instruction	\$ 1,317,272	\$ 1,650,752	\$ 1,572,024	\$ 1,605,284	\$ 966,212
Support services - students and staff	1,896,939	2,001,296	1,752,237	1,716,069	1,338,225
Support services - administration	728,883	635,588	552,864	474,858	568,049
Operation and maintenance of plant services	32,132	38,236	39,444	47,524	55,315
Student transportation services	168,535	58,115	138,358	185,147	146,583
Operation of non-instructional services	951	3,398	17,844		
Total expenses	<u>4,144,712</u>	<u>4,387,385</u>	<u>4,072,771</u>	<u>4,028,882</u>	<u>3,074,384</u>
<b>Program Revenues</b>					
Charges for services:					
Instruction	6,991	356		90,939	121,037
Support services - students and staff	642,459	398,283	413,913	460,985	357,515
Other activities	249,045	221,477	106,824	23,557	82,026
Operating grants and contributions	2,321,429	2,561,465	2,163,603	2,276,264	1,256,894
Capital grants and contributions	16,647	14,325	33,206	40,219	20,624
Total program revenues	<u>3,236,571</u>	<u>3,195,906</u>	<u>2,717,546</u>	<u>2,891,964</u>	<u>1,838,096</u>
<b>Net (Expense)/Revenue</b>	<u>\$ (908,141)</u>	<u>\$ (1,191,479)</u>	<u>\$ (1,355,225)</u>	<u>\$ (1,136,918)</u>	<u>\$ (1,236,288)</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses</b>					
Instruction	\$ 913,986	\$ 1,037,381	\$ 943,735	\$ 927,724	\$ 840,717
Support services - students and staff	1,209,102	903,616	534,442	656,100	1,022,075
Support services - administration	584,978	771,535	702,561	687,239	668,927
Operation and maintenance of plant services	46,162	74,112	78,754	67,894	89,025
Student transportation services	177,704	156,394	110,249	135,090	132,231
Operation of non-instructional services					
Total expenses	<u>2,931,932</u>	<u>2,943,038</u>	<u>2,369,741</u>	<u>2,474,047</u>	<u>2,752,975</u>
<b>Program Revenues</b>					
Charges for services:					
Instruction	74,904	50,181	52,723	36,795	62,253
Support services - students and staff	45,518	24,952	6,513	94,242	106,757
Other activities	50,576	75,380	41,184	64,757	44,482
Operating grants and contributions	1,416,147	1,098,668	859,544	782,370	1,081,834
Capital grants and contributions	38,107	139,542	51,682		43,936
Total program revenues	<u>1,625,252</u>	<u>1,388,723</u>	<u>1,011,646</u>	<u>978,164</u>	<u>1,339,262</u>
<b>Net (Expense)/Revenue</b>	<u>\$ (1,306,680)</u>	<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) In fiscal year 2007, Support services - students and staff increased due to the implementation of new fee for service programs.  
2) 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 TEN FISCAL YEARS  
(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Net (Expense)/Revenue</b>	\$ (908,141)	\$ (1,191,479)	\$ (1,355,225)	\$ (1,136,918)	\$ (1,236,288)
<b>General Revenues:</b>					
Investment income	17,235	30,167	40,458	110,765	78,618
Unrestricted county aid	57,272	48,652			587
Unrestricted state aid	964,961	757,581	1,137,864	1,213,927	1,161,915
Unrestricted federal aid	19,871	98,262	9,789	11,467	10,811
Special item - gain on sale of land					34,056
<b>Total general revenues and special item</b>	<u>1,059,339</u>	<u>934,662</u>	<u>1,188,111</u>	<u>1,336,159</u>	<u>1,285,987</u>
<b>Changes in Net Assets</b>	<u>\$ 151,198</u>	<u>\$ (256,817)</u>	<u>\$ (167,114)</u>	<u>\$ 199,241</u>	<u>\$ 49,699</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Net (Expense)/Revenue</b>	\$ (1,306,680)	\$ (1,554,315)	\$ (1,358,095)	\$ (1,495,883)	\$ (1,413,713)
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					
Property taxes, levied for debt service					
Property taxes, levied for capital outlay					
Investment income	57,660	27,794	15,870	(39,209)	40,178
Unrestricted county aid	149,033	162,061	154,456	70,117	166,297
Unrestricted state aid	1,093,178	1,207,866	1,124,947	1,321,100	1,279,028
Unrestricted federal aid				10,436	
Special item - gain on sale of land					
<b>Total general revenues and special item</b>	<u>1,299,871</u>	<u>1,397,721</u>	<u>1,295,273</u>	<u>1,362,444</u>	<u>1,485,503</u>
<b>Changes in Net Assets</b>	<u>\$ (6,809)</u>	<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) In fiscal year 2003, investment income includes an investment loss due to a loss suffered in the participation of the Local Government Investment Pool.

2) The Arizona State Legislature suspended county equalization payments to school districts for fiscal years 2006-07 through 2008-09. As a result, state equalization revenues were increased.

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

	<b>Fiscal Year Ended June 30</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund:					
Nonspendable	\$ 4,346	\$	\$	\$	\$
Restricted		62,129			
Committed					
Assigned	1,149				
Unassigned	532,767	54,655			
Reserved					
Unreserved			48,646	42,655	(76,656)
Total General Fund	<u>\$ 538,262</u>	<u>\$ 116,784</u>	<u>\$ 48,646</u>	<u>\$ 42,655</u>	<u>\$ (76,656)</u>
All Other Governmental Funds:					
Nonspendable	\$ 22,346	\$	\$	\$	\$
Restricted	1,178,443	899,428			
Committed	289,575				
Assigned	4,102	817,263			
Unassigned					
Reserved			8,660	9,154	9,343
Unreserved, reported in:					
Special revenue funds			1,521,354	1,545,880	1,383,808
Capital projects funds			469,682	879,612	912,999
Total all other governmental funds	<u>\$ 1,494,466</u>	<u>\$ 1,716,691</u>	<u>\$ 1,999,696</u>	<u>\$ 2,434,646</u>	<u>\$ 2,306,150</u>

(Continued)

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:					
Reserved	\$ 8,929	\$	\$	\$	\$
Unreserved	(109,769)	(19,707)	47,904	156,473	171,656
Total General Fund	<u>\$ (100,840)</u>	<u>\$ (19,707)</u>	<u>\$ 47,904</u>	<u>\$ 156,473</u>	<u>\$ 171,656</u>
All Other Governmental Funds:					
Reserved	\$ 2,233		\$ 13,222	\$	\$
Unreserved, reported in:					
Special revenue funds	478,234	396,908	415,514	464,720	737,236
Capital projects funds	965,277	928,703	904,539	853,581	722,851
Total all other governmental funds	<u>\$ 1,445,744</u>	<u>\$ 1,325,611</u>	<u>\$ 1,333,275</u>	<u>\$ 1,318,301</u>	<u>\$ 1,460,087</u>

**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.

**(Concluded)**

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

	<b>Fiscal Year Ended June 30</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Federal sources:</b>					
Federal grants	\$ 2,277,956	\$ 2,520,278	\$ 2,143,782	\$ 2,282,967	\$ 1,105,999
Taylor Grazing	7,138	7,104	9,789	11,467	10,811
State Fiscal Stabilization	7,723	90,733			-
Total federal sources	<u>2,292,817</u>	<u>2,618,115</u>	<u>2,153,571</u>	<u>2,294,434</u>	<u>1,116,810</u>
<b>State sources:</b>					
State equalization assistance	696,348	623,351	873,128	866,898	828,333
State grants	232,214	4,216	97,631	127,887	344,295
School Facilities Board				1,164	
Other revenues	40,505	134,230	171,436	251,494	160,806
Total state sources	<u>969,067</u>	<u>761,797</u>	<u>1,142,195</u>	<u>1,247,443</u>	<u>1,333,434</u>
<b>Local sources:</b>					
County aid	57,273	48,652			587
Investment income (loss)	15,015	30,166	40,248	110,765	86,165
Other revenues	961,738	671,838	571,761	575,481	1,062,281
Total local sources	<u>1,034,026</u>	<u>750,656</u>	<u>612,009</u>	<u>686,246</u>	<u>1,149,033</u>
<b>Total revenues</b>	<u>\$ 4,295,910</u>	<u>\$ 4,130,568</u>	<u>\$ 3,907,775</u>	<u>\$ 4,228,123</u>	<u>\$ 3,599,277</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Federal sources:</b>					
Federal grants	\$ 1,237,097	\$ 1,063,877	\$ 732,266	\$ 598,290	\$ 891,284
Taylor Grazing	16,897		20,549	10,436	
Total federal sources	<u>1,253,994</u>	<u>1,063,877</u>	<u>752,815</u>	<u>608,726</u>	<u>891,284</u>
<b>State sources:</b>					
State equalization assistance	849,831	1,015,249	911,554	1,060,988	1,138,257
State grants	285,645	174,456	158,401	184,081	233,324
School Facilities Board		2,733	16,900	66,360	4,858
Other revenues	164,203	188,004	192,019	193,751	142,158
Total state sources	<u>1,299,679</u>	<u>1,380,442</u>	<u>1,278,874</u>	<u>1,505,180</u>	<u>1,518,597</u>
<b>Local sources:</b>					
County aid	149,033	162,061	154,456	163,417	166,297
Investment income (loss)	58,031	27,974	15,870	(39,209)	40,178
Other revenues	170,627	150,333	100,420	102,494	213,492
Total local sources	<u>377,691</u>	<u>340,368</u>	<u>270,746</u>	<u>226,702</u>	<u>419,967</u>
<b>Total revenues</b>	<u>\$ 2,931,364</u>	<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 to school districts for fiscal years 2006-07 through 2008-09. As a result, state equalization revenues were increased.

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

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Expenditures:</b>					
Current -					
Instruction	\$ 1,281,795	\$ 1,535,126	\$ 1,391,759	\$ 1,546,890	\$ 849,379
Support services - students and staff	1,903,654	1,945,794	1,716,483	1,656,671	1,293,356
Support services - administration	717,402	612,201	538,994	458,326	529,481
Operation and maintenance of plant services	38,446	26,388	36,091	44,171	42,032
Student transportation services	125,337	3,910	127,380	117,367	106,984
Operation of non-instructional services			17,844		
Capital outlay	56,715	213,356	507,689	156,702	185,733
<b>Total expenditures</b>	<u><u>\$ 4,123,349</u></u>	<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>
Expenditures for capitalized assets	\$ 9,150	\$ 43,379	\$ 278,573	\$ 77,411	\$
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 TEN FISCAL YEARS  
(Modified accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenditures:</b>					
Current -					
Instruction	\$ 862,864	\$ 957,543	\$ 875,165	\$ 908,357	\$ 829,727
Support services - students and staff	1,127,304	726,225	526,053	628,704	1,013,067
Support services - administration	576,251	713,498	635,432	665,133	649,080
Operation and maintenance of plant services	51,739	64,775	78,077	54,816	78,995
Student transportation services	142,569	133,442	81,769	85,873	83,014
Operation of non-instructional services					
Capital outlay	142,799	251,257	212,756	154,694	
<b>Total expenditures</b>	<u>\$ 2,903,526</u>	<u>\$ 2,846,740</u>	<u>\$ 2,409,252</u>	<u>\$ 2,497,577</u>	<u>\$ 2,653,883</u>
Expenditures for capitalized assets	\$ 69,824	\$ 5,023	\$ 89,241	\$ 111,486	\$
Debt service as a percentage of noncapital expenditures	0%	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 TEN FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 172,561	\$ (206,207)	\$ (428,465)	\$ 247,996	\$ 592,312
<b>Other financing sources (uses):</b>					
Transfers in	9,321	140,011	113,746	24,159	12,351
Transfers out	(9,321)	(140,011)	(113,746)	(24,159)	(12,351)
<b>Total other financing sources (uses)</b>					
<b>Changes in fund balances</b>	<b>\$ 172,561</b>	<b>\$ (206,207)</b>	<b>\$ (428,465)</b>	<b>\$ 247,996</b>	<b>\$ 592,312</b>
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 27,838	\$ (62,053)	\$ (106,817)	\$ (156,969)	\$ 175,965
<b>Other financing sources (uses):</b>					
Transfers in	14,563	10,820		61,431	38,196
Transfers out	(14,563)	(10,820)		(61,431)	(38,196)
<b>Total other financing sources (uses)</b>					
<b>Changes in fund balances</b>	<b>\$ 27,838</b>	<b>\$ (62,053)</b>	<b>\$ (106,817)</b>	<b>\$ (156,969)</b>	<b>\$ 175,965</b>

**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 TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>		<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Estimated Actual Value</b>	<b>Ratio of Net Assessed to Estimated Actual Value</b>
	<b>Residential Property</b>	<b>Commercial Property</b>						
2011	\$ 6,074,513,361	\$ 3,315,923,891	\$ 374,217,854	\$ 1,477,930,525	\$ 8,286,724,581	4.06	\$ 86,405,986,557	9.59 %
2010	6,326,323,696	3,814,580,906	883,734,151	1,184,019,112	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.

**Note:** Total taxable assessed valuation is displayed by major component beginning with fiscal year ended June 30, 2010.

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2010	964,900	\$ N/A	\$ N/A	9.0 %
2009	1,018,012	34,516,424	33,833	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 TEN YEARS AGO**

<u>Employer</u>	<u>2011</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	10,500	4.9 %	10,400	2.6 %
University of Arizona	10,481	4.9	11,606	2.9
State of Arizona	8,866	4.2	9,932	2.5
Davis Monthan AFB	8,462	4.0	9,200	2.3
Wal-Mart Stores, Inc.	7,308	3.4	3,800	1.0
Tucson Unified School District	6,709	3.2	8,278	2.1
Pima County Government	6,403	3.0	7,175	1.8
UA Healthcare	5,982	2.8	-	-
Fort Huachuca	6,225	2.9	10,969	2.8
City of Tucson	4,930	2.3	5,933	1.5
Freeport-McMorRan Copper	4,803	2.3	3,783	1.0
Total	<u>80,669</u>	<u>37.9 %</u>	<u>81,076</u>	<u>20.5 %</u>
Total employment	<u>212,521</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 TEN FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Supervisory</b>					
Assistant principals	2	2	2	2	2
Total supervisory	2	2	2	2	2
<b>Instruction</b>					
Teachers	10	11	12	12	13
Total instruction	10	11	12	12	13
<b>Support and Administration</b>					
Service workers	30	29	29	27	26
Total support and administration	30	29	29	27	26
<b>Total</b>	<u>42</u>	<u>42</u>	<u>43</u>	<u>41</u>	<u>41</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Supervisory</b>					
Assistant principals	2	2	2	1	1
Total supervisory	2	2	2	1	1
<b>Instruction</b>					
Teachers	14	17	17	21	21
Total instruction	14	17	17	21	21
<b>Support and Administration</b>					
Service workers	20	18	15	13	16
Total support and administration	20	18	15	13	16
<b>Total</b>	<u>36</u>	<u>37</u>	<u>34</u>	<u>35</u>	<u>38</u>

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

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

<b>Fiscal Year Ended June 30</b>	<b>Average Daily Membership</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Expenses</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil-Teacher Ratio</b>
2011	98 \$	4,066,634 \$	41,496	17.06 %	\$ 4,144,712	\$ 42,293	12.15 %	10	9.8
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 TEN FISCAL YEARS**

**Fiscal Year Ended June 30**

	<u>2011</u>	<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>
<b><u>Schools</u></b>										
<b>Elementary</b>										
Buildings	1	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	2,800	28,500
Capacity	25	25	25	25	25	25	25	25	25	25
Enrollment	0	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.

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**REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE**

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



**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 of Pima County, Arizona  
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 department of Pima County, Arizona, as of and for the year ended June 30, 2011, which collectively comprise Pima County School Reserve Fund's basic financial statements and have issued our report thereon dated December 1, 2011. 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**

Management of Pima County School Reserve Fund is responsible for establishing and maintaining effective 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 Pima County School Reserve Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying

schedule of findings and questioned costs item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### 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*.

Pima County School Reserve Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Pima County School Reserve Fund's response and, accordingly, we express no opinion on it.

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

December 1, 2011

## **FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Reference Number: 2011-1**

**Type of Finding: Significant Deficiency**

**Description: Errors in accounting records**

### CRITERIA

Reserve management is responsible for establishing and maintaining internal controls that will prevent or detect misstatements in the accounting records.

### CONDITION/CONTEXT

The following errors in the accounting records were noted.

- Revenues of \$61,465 that were recorded in fiscal year 2011 were revenues of fiscal year 2012.
- A journal entry of \$2,458 that should have been recorded by the County was not and the amount was not reconciled by the Reserve in a timely manner.
- Local revenues of \$6,420 were recorded in a federal grants fund.

### EFFECT

Audit adjustments were necessary to properly state the accounting records

### CAUSE

The Reserve's internal controls over financial reporting at the financial statement level are not adequate to ensure that a misstatement would be prevented and/or detected.

### RECOMMENDATION

The Reserve must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements. Specifically, the Reserve should use checklists to aid in the review of the financial statements and related notes to the financial statements. The Reserve's personnel should obtain additional training to increase their understanding of the GAAP basis financial statements drafted by the audit firm as well as the related adjusting entries posted during the conversion of the cash basis general ledger to the accrual basis financial statements.

### VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Reserve agrees with the finding. The Reserve will ensure that all revenues and journal entries that are recorded during the encumbrance period, which occurred during this period, will be clearly noted and evaluated to determine the proper fiscal year posting. Additionally, the general ledger will be reviewed on a monthly basis after reconciliation to ensure that proper revenues are recorded into appropriate funds. Reconciliations will be reviewed by the Chief Financial Officer after completion by the designated accounting staff to ensure accuracy. Finally, management will determine the level of professional development and training necessary to ensure that these internal controls are followed properly.

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