

PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2009



PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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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Phone: 520.740.8451
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October 21, 2009

Board of Supervisors
Pima County, Arizona

The Pima County School Reserve Fund, a fund of Pima County, Arizona, has published a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Pima County School Reserve Fund (Reserve) for the fiscal year ended June 30, 2009.

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, 2009, 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, 2009, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE RESERVE

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

The Reserve provides educational assistance to the schools and residents of Pima County, Arizona and functions as fiscal agent/project director for numerous educational programs that extend beyond the boundaries of individual school districts. Some of these projects are consortiums of school districts formed 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.

The activity of the Pima County School Reserve Fund is centered around the economy of Pima County, which directly relates to the county's population growth. As of July 1, 2008, the population of Pima County was 1,012,018, which accounts for 16% of the State of Arizona's estimated population of 6,500,180. This makes Pima County the second most populated county in Arizona and the State of Arizona is the 40th most populated state in the nation. Pima was the 32nd most rapidly growing county from 2007 to 2008. The City of Tucson encompasses approximately 227.62 square miles of Pima County's 9,186 square miles and with its July 2008 population of 543,959 accounted for 54% of the total Pima County population. Tucson is the second largest city in Arizona and is the 30th largest city in the United States.

Over the past two decades, the population in Arizona and in Pima County has grown at an incredible pace. According to the United States Census Bureau's recent population estimates, Arizona is second only to Nevada in percentage growth from 2007 to 2008. Between 2007 and 2008, Arizona grew by 2.3%. During this same period, the population in Pima County increased by 1.5%.

Pima County's population exceeded 1,000,000 in July 2008 and is expected to reach 2,000,000 by 2055. Because Arizona is a popular retirement destination, the United States Census Bureau projects that the state's 65-and-over population will continue to increase in proportion to the total population. In the Tucson metropolitan area, the percentage of population over 65 years is at 14% as of the year 2000, which is just above the national average of 12%. Approximately 16% of all households in the area are occupied by heads of household who have retired.

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 all funds. 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. Revenues are from state, federal aid, state and federal grants and reimbursements, and other local sources.

Formulaic education funding was not exempt from much of the budget balancing reductions undertaken by the Legislature. Education funding was among one of the most impacted areas of the State budget during fiscal year 2009, which included additional revenue reductions during mid-fiscal year. In addition, the continued downturn in the economy and the inability for State government to reconcile revenues and expenses will have the most significant impact on the ability for the Reserve to consider expenditures, as well as services. Prioritization of educational services to students and Pima County school districts will influence much of the decision-making in the provision of services.

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, 2008. This was the sixteenth 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 2008-09 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, 2008**

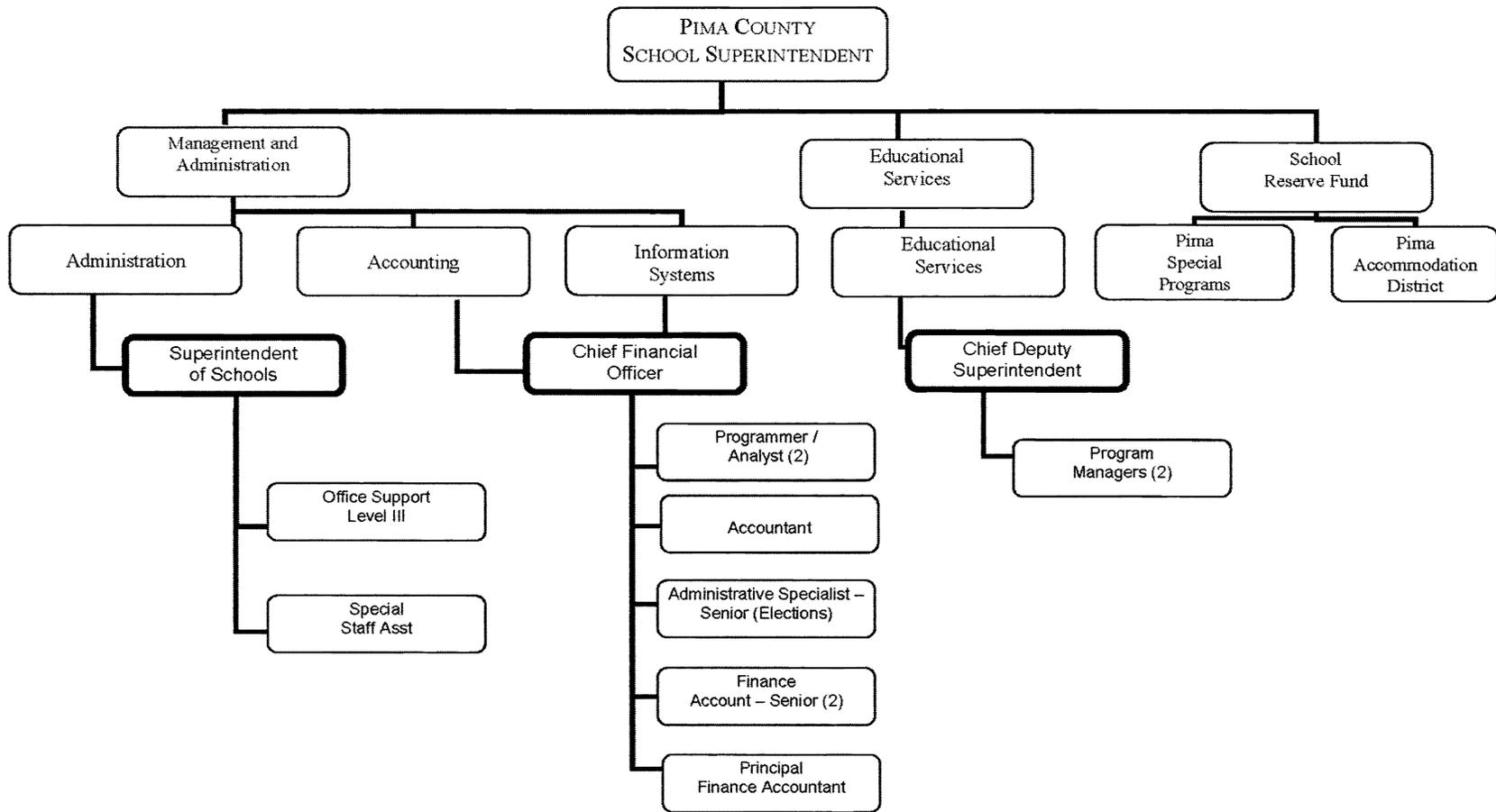
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

A handwritten signature in cursive script that reads 'Angel Peteman'.

President

A handwritten signature in cursive script that reads 'John D. Russo'.

Executive Director



**Pima County School Reserve Fund
Organizational Chart
Fiscal Year Ended June 30, 2009**

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

Debbie D'Amore, Chief Deputy School Superintendent

Ricardo D. Hernández, Chief Financial Officer

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FINANCIAL SECTION

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

10120 N. Oracle Road
Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund (Reserve), a governmental fund of Pima County, Arizona, as of and for the year ended June 30, 2009, which collectively comprise the Reserve's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pima County School Reserve Fund's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Pima County School Reserve Fund are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Pima County, Arizona that is attributable to the Pima County School Reserve Fund, a governmental fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2009, or the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund, a governmental fund of Pima County, Arizona as of June 30, 2009, 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 October 21, 2009, 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.

The management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 46 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pima County School Reserve Fund's basic financial statements. 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 basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Heinfeld Meech & Co.

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

October 21, 2009

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, 2009**

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The Reserve's total net assets of governmental activities decreased \$167,114 which represents a 6 percent decrease from the prior fiscal year primarily due to reduction in state aid and investment income.
- General revenues accounted for \$1.2 million in revenue, or 30 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2.7 million or 70 percent of total current fiscal year revenues.
- The Reserve had approximately \$4.1 million in expenses related to governmental activities, an increase of one percent from the prior fiscal year.
- Among major funds, the General Fund had \$948,483 in current fiscal year revenues, which primarily consisted of state aid, and \$942,492 million in expenditures. The General Fund's fund balance increased from \$42,655 as of June 30, 2008, to \$48,646 as of June 30, 2009.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Reserve's near-term financing requirements.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the 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. 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, 2009**

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 \$2.5 million at the current fiscal year-end.

The investment in capital assets (e.g. land improvements; buildings and improvements; vehicles, furniture, and equipment) comprises 18 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 (19 percent) are restricted by statute for the specified purpose of capital outlay investment.

The following table presents a summary of the Reserve's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	As of June 30, 2009	As of June 30, 2008
Current assets	\$ 2,246,170	\$ 2,865,809
Capital assets, net	440,592	237,050
Total assets, net	<u>2,686,762</u>	<u>3,102,859</u>
Current liabilities	197,828	388,508
Long-term liabilities	33,954	92,257
Total liabilities	<u>231,782</u>	<u>480,765</u>
Net assets:		
Invested in capital assets	440,592	237,050
Restricted	469,682	888,766
Unrestricted	1,544,706	1,496,278
Total net assets	<u>\$ 2,454,980</u>	<u>\$ 2,622,094</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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. The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of \$278,573 in capital assets through purchases of two buses for student transportation.
- The disposal of \$241,319 of equipment.

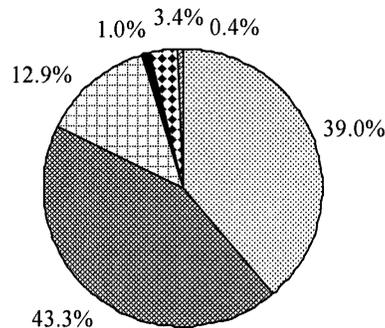
Changes in net assets. The Reserve's total revenues for the current fiscal year were \$3.9 million. The total cost of all programs and services was \$4.1 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 520,737	\$ 575,481
Operating grants and contributions	2,163,603	2,276,264
Capital grants and contributions	33,206	40,219
General revenues:		
Investment income	40,458	110,765
Unrestricted state aid	1,137,864	1,213,927
Unrestricted federal aid	9,789	11,467
Total revenues	<u>3,905,657</u>	<u>4,228,123</u>
Expenses:		
Instruction	1,572,024	1,605,284
Support services – students and staff	1,752,237	1,716,069
Support services – administration	552,864	474,858
Operation and maintenance of plant services	39,444	47,524
Student transportation services	138,358	185,147
Operation of non-instructional services	17,844	
Total expenses	<u>4,072,771</u>	<u>4,028,882</u>
Change in net assets	<u>\$ (167,114)</u>	<u>\$ 199,241</u>

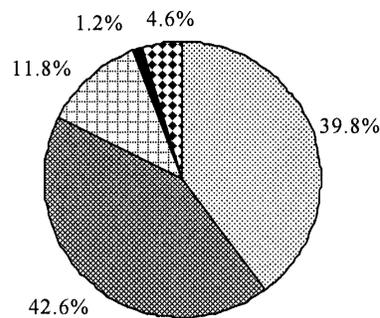
**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Fiscal Year 2008-09 Expenses



Fiscal Year 2007-08 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 decrease of \$76,063 in unrestricted state aid was due to reduction in Classroom Site funding; as well as, a reduction in state aid.
- The reduction in operating grants and contributions of \$112,661 was due to a decrease in vocational grants monies related to the CTE Tech Prep Grant.
- The decrease in instruction of \$33,260 was due to a loss of a 1.0 FTE teaching position.
- The increase in support services – administration of \$78,806 was due to a redesignation of a certified employee to a special education coordinator.

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

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

	<u>Year Ended June 30, 2009</u>		<u>Year Ended June 30, 2008</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$1,572,024	\$ (764,128)	\$ 1,605,284	\$ (505,277)
Support services – students and staff	1,752,237	(188,151)	1,716,069	(173,035)
Support services – administration	552,864	(213,664)	474,858	(278,723)
Operation and maintenance of plant services	39,444	(33,080)	47,524	5,264
Student transportation services	138,358	(138,358)	185,147	(185,147)
Operation of non-instructional services	17,844	(17,844)		
Total	<u>\$4,072,771</u>	<u>\$(1,355,225)</u>	<u>\$ 4,028,882</u>	<u>\$ (1,136,918)</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 \$2.7 million.
- Net cost of governmental activities of \$1.4 million was financed by general revenues, which are made up primarily of state aid of \$1.1 million.

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, a decrease of \$428,959 due primarily to the utilization of fund balance for capital expenditures in the Bus Replacement Fund.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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

The General Fund's fund balance increased \$5,991 to \$48,646 as of fiscal year-end. The General Fund revenues decreased \$39,802. The General Fund expenditures increased \$61,929 primarily due to increased administration costs resulting from increased salaries and benefits.

The Professional Development and Technology Grants Fund revenues decreased \$155,979 as a result of reduction in grant funding for a supplemental grant for enhancing education through technology. The Professional Development and Technology Grants Fund expenditures decreased \$153,403. The Small Schools Fund's fund balance increased \$23,851 to \$275,489 due to unexpended revenues to be used for administration operations and professional development services cost for small school districts in Pima County. The Fee for Services Program Fund revenues decreased \$35,645 primarily due to the elimination of the Fiscal Fee for Services Program. The Fee for Services Program Fund expenditures increased \$16,875. The Administrative Cost Fund's fund balance decreased \$41,398 to \$340,410 as of June 30, 2009. Administrative Cost Fund revenues decreased \$20,283 as a result of reduction in investment income due to a decline in return on County Treasurer pooled cash. Administrative Cost Fund expenditures decreased \$3,446.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Reserve revised the General Fund annual expenditure budget due to additional revenues for growth in students identified as special education. The difference between the original budget and the final amended budget was a \$75,936 increase, or 9 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 \$147,222 in instruction was a result of budgeting in excess of planned expenditures based on additional capacity for students identified as special education.
- The favorable variance of \$75,098 in support services – students and staff was a result of replacement of an existing employee with a new employee at reduced salary costs.
- The unfavorable variance of \$121,746 in support services – administration was a result of a salary and supplies reclassification to the Office of the Principal.
- Expenditures were not budgeted in student transportation services for Special Programs resulting in an unfavorable variance of \$127,380.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the Reserve had invested \$871,192 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 \$33,754 from last year. Total depreciation expense for the year was \$38,008.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

	As of June 30, 2009	As of June 30, 2008
Capital assets – non-depreciable	\$	\$ 3,500
Capital assets – depreciable, net	440,592	233,550
Total	\$ 440,592	\$ 237,050

Additional information on the Reserve's capital assets can be found in Note 5.

Debt Administration. At June 30, 2009, the Reserve had no outstanding general obligation debt. Additional information on the Reserve's long-term liabilities can be found in Note 8.

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 2009-10 budget. Among them:

- Available fiscal year 2008-09 budget balance carry forward.
- Student population in the Jail and Detention Center.
- Employee salaries.
- Increased health insurance costs.

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

These indicators were considered when adopting the budget for fiscal year 2009-10. Budgeted expenditures in the General Fund decreased 21 percent to \$716,299 in fiscal year 2009-10. The primary reason for the decrease is additional decreases in student enrollment and state funding. State aid is expected to be the primary funding source. No new programs were added to the 2009-10 budget.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CONTACTING THE RESERVE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,745,373
Accounts receivable	71,474
Due from governmental entities	420,663
Prepaid items	8,660
Total current assets	2,246,170
Noncurrent assets:	
Land improvements	36,466
Buildings and improvements	151,880
Vehicles, furniture and equipment	682,846
Accumulated depreciation	(430,600)
Total noncurrent assets	440,592
Total assets	2,686,762
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	103,474
Accrued payroll and employee benefits	86,453
Compensated absences payable	32,205
Unearned revenues	7,901
Total current liabilities	230,033
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,749
Total non-current liabilities	1,749
Total liabilities	231,782
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	440,592
Restricted for:	
Capital outlay	469,682
Unrestricted	1,544,706
Total net assets	\$ 2,454,980

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 1,572,024	\$	\$ 774,690	\$ 33,206	\$ (764,128)
Support services - students and staff	1,752,237	413,913	1,150,173		(188,151)
Support services - administration	552,864	106,824	232,376		(213,664)
Operation and maintenance of plant services	39,444		6,364		(33,080)
Student transportation services	138,358				(138,358)
Operation of non-instructional services	17,844				(17,844)
Total governmental activities	\$ 4,072,771	\$ 520,737	\$ 2,163,603	\$ 33,206	(1,355,225)
General revenues:					
					40,458
					1,137,864
					9,789
					1,188,111
Changes in net assets					
					(167,114)
Net assets, beginning of year					
					2,622,094
Net assets, end of year					
					\$ 2,454,980

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

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FUND FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Title I Grants	Professional Development and Technology Grants
<u>ASSETS</u>			
Cash and investments	\$ 14,185	\$	\$
Accounts receivable			5,000
Due from governmental entities	138,699	37,480	30,490
Due from other funds			
Prepaid items			4,343
Total assets	\$ 152,884	\$ 37,480	\$ 39,833
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 16,648	\$ 1,715	\$ 14,835
Due to other funds	55,123	19,108	10,750
Accrued payroll and employee benefits	32,467	16,657	9,905
Deferred revenues			
Total liabilities	104,238	37,480	35,490
Fund balances:			
Reserved for prepaid items			4,343
Unreserved:			
Undesignated	48,646		
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
Total fund balances	48,646		4,343
Total liabilities and fund balances	\$ 152,884	\$ 37,480	\$ 39,833

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

Vocational Education	Other Federal Projects	School Plant	Small Schools	Fee for Service Program	Administrative Costs
\$	\$	\$ 492,596	\$ 261,339	\$ 133,615	\$ 174,887
53,128	48,145		17,500	45,333	56,874
4,317		55,123			117,808
<u>\$ 57,445</u>	<u>\$ 48,145</u>	<u>\$ 547,719</u>	<u>\$ 278,839</u>	<u>\$ 178,948</u>	<u>\$ 349,569</u>
\$ 1,825	\$ 38,866	\$	\$	\$ 17,161	\$ 4,148
45,755	5,050				
5,548	4,229		3,350	9,286	5,011
<u>53,128</u>	<u>48,145</u>		<u>3,350</u>	<u>26,447</u>	<u>9,159</u>
4,317		547,719	275,489	152,501	340,410
<u>4,317</u>		<u>547,719</u>	<u>275,489</u>	<u>152,501</u>	<u>340,410</u>
<u>\$ 57,445</u>	<u>\$ 48,145</u>	<u>\$ 547,719</u>	<u>\$ 278,839</u>	<u>\$ 178,948</u>	<u>\$ 349,569</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009
(Concluded)**

	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 668,751	\$ 1,745,373
Accounts receivable	3,641	71,474
Due from governmental entities	55,847	420,663
Due from other funds		172,931
Prepaid items		8,660
Total assets	\$ 728,239	\$ 2,419,101
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 8,276	\$ 103,474
Due to other funds	37,145	172,931
Accrued payroll and employee benefits		86,453
Deferred revenues	7,901	7,901
Total liabilities	53,322	370,759
Fund balances:		
Reserved for prepaid items		8,660
Unreserved:		
Undesignated		1,364,765
Unreserved reported in:		
Special revenue funds	205,235	205,235
Capital projects funds	469,682	469,682
Total fund balances	674,917	2,048,342
Total liabilities and fund balances	\$ 728,239	\$ 2,419,101

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

**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total governmental fund balances **\$ 2,048,342**

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

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

Governmental capital assets	\$ 871,192	
Less accumulated depreciation	<u>(430,600)</u>	440,592

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(33,954)</u>
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Net assets of governmental activities **\$ 2,454,980**

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	General	Title I Grants	Professional Development and Technology Grants
Revenues:			
Other local	\$	\$	\$ 41,478
State aid and grants	948,483		
Federal aid, grants and reimbursements		374,779	1,054,441
Total revenues	948,483	374,779	1,095,919
Expenditures:			
Current -			
Instruction	541,801	116,639	638,643
Support services - students and staff	42,602	247,807	319,401
Support services - administration	210,829	10,333	127,742
Operation and maintenance of plant services	19,880		2,636
Student transportation services	127,380		
Operation of non-instructional services			
Capital outlay			5,994
Total expenditures	942,492	374,779	1,094,416
Excess (deficiency) of revenues over expenditures	5,991		1,503
Other financing sources (uses):			
Transfer in			
Transfer out			(1,503)
Total other financing sources (uses)			(1,503)
Changes in fund balances	5,991		
Fund balances, beginning of year	42,655		
Increase (decrease) in reserve for prepaid items			4,343
Fund balances, end of year	\$ 48,646	\$	\$ 4,343

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

Vocational Education	Other Federal Projects	School Plant	Small Schools	Fee for Service Program	Administrative Costs
\$	\$	\$ 8,148	\$ 5,522 93,300	\$ 418,254	\$ 112,626
310,756	309,263				
<u>310,756</u>	<u>309,263</u>	<u>8,148</u>	<u>98,822</u>	<u>418,254</u>	<u>112,626</u>
				600	440
306,171	261,444			396,194	98,556
500	46,494		72,908	2,484	56,705
2,100	438			8,857	820
962			2,063	7,648	1,015
<u>309,733</u>	<u>308,376</u>		<u>74,971</u>	<u>415,783</u>	<u>157,536</u>
<u>1,023</u>	<u>887</u>	<u>8,148</u>	<u>23,851</u>	<u>2,471</u>	<u>(44,910)</u>
				234	3,512
<u>(1,023)</u>	<u>(887)</u>				
<u>(1,023)</u>	<u>(887)</u>			<u>234</u>	<u>3,512</u>
		<u>8,148</u>	<u>23,851</u>	<u>2,705</u>	<u>(41,398)</u>
		539,571	251,638	149,796	381,808
4,317					
<u>\$ 4,317</u>	<u>\$</u>	<u>\$ 547,719</u>	<u>\$ 275,489</u>	<u>\$ 152,501</u>	<u>\$ 340,410</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)**

	Non-Major Governmental Funds	Total Governmental Funds
Revenues:		
Other local	\$ 25,981	\$ 612,009
State aid and grants	100,412	1,142,195
Federal aid, grants and reimbursements	104,332	2,153,571
Total revenues	230,725	3,907,775
Expenditures:		
Current -		
Instruction	93,636	1,391,759
Support services - students and staff	44,308	1,716,483
Support services - administration	10,999	538,994
Operation and maintenance of plant services	1,360	36,091
Student transportation services		127,380
Operation of non-instructional services	17,844	17,844
Capital outlay	490,007	507,689
Total expenditures	658,154	4,336,240
 Excess (deficiency) of revenues over expenditures	 (427,429)	 (428,465)
Other financing sources (uses):		
Transfer in	110,000	113,746
Transfer out	(110,333)	(113,746)
Total other financing sources (uses)	(333)	
 Changes in fund balances	 (427,762)	 (428,465)
Fund balances, beginning of year	1,111,833	2,477,301
Increase (decrease) in reserve for prepaid items	(9,154)	(494)
Fund balances, end of year	\$ 674,917	\$ 2,048,342

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

**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net changes in fund balances - total governmental funds **\$ (428,959)**

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

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

Governmental capital assets	\$ 278,573	
Less accumulated depreciation	<u>(38,008)</u>	240,565

Some 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.

Compensated absences	(9,128)	
Other postemployment healthcare benefits	67,431	
Loss on disposal of capital assets	<u>(37,023)</u>	<u>21,280</u>

Change in net assets in governmental activities **\$ (167,114)**

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2009**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 26,219
Total assets	<u>\$ 26,219</u>
<u>LIABILITIES</u>	
Accounts payable	17,500
Deposits held for others	<u>8,719</u>
Total liabilities	<u>\$ 26,219</u>

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

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.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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

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

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

Title I Grants Fund – The Title I Grants Fund accounts 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.

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

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

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

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

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 resources held by the Reserve on behalf of others and include the Payroll Clearing, Employee Withholding, and COBRA Clearing Funds. The Payroll Clearing Fund holds employee payroll checks and voluntary deductions until distributed. The Employee Withholding Fund accounts for unremitted employee payroll deductions. The COBRA Clearing Fund accounts for COBRA insurance payments.

The Agency funds are custodial in nature and do not have a measurement focus and are reported by fund type.

D. 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 and net changes in the fair value of applicable investments.

F. Prepaid Items

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

G. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

Inventories on hand at year-end were immaterial and therefore not included on the fund or government-wide financial statements.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

H. Capital Assets

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

The Reserve capitalizes all land. All other capital assets are defined by the Reserve as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

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

I. Compensated Absences

The Reserve's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The Reserve's employees earn twelve to twenty-one days of annual leave each year. Employees are paid up to the equivalent of one year's accrual annual leave upon termination. Employees earn six to twelve days of sick leave each year. Accumulated sick leave is forfeited upon termination. A maximum of thirty days of sick leave may be carried forward to a subsequent fiscal year. The current and long-term liabilities, including related benefits, for accumulated vacation is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

K. Interfund Activity

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

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

L. Estimates

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – 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 3 – 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.

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.

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.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

At June 30, 2009, the Reserve's investments consisted of the following.

	Average Maturities	Fair Value
County Treasurer's investment pool	227 days	\$1,771,592
Total		\$1,771,592

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 June 30, 2009, the Reserve's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

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

NOTE 4 – 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	Title I Grants Fund	Professional Development and Technology Grants Fund	Vocational Education Fund	Other Federal Projects Fund	Administrative Costs Fund	Non-Major Governmental Funds
Due from other governmental entities:							
Due from Federal government	\$	\$ 37,480	\$ 30,490	\$ 53,128	\$ 48,145	\$	\$ 40,357
Due from State government	138,699						15,490
Due from other districts						56,874	
Net due from governmental entities	\$ 138,699	\$ 37,480	\$ 30,490	\$ 53,128	\$ 48,145	\$ 56,874	\$ 55,847

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 \$7,901 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, 2009**

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2009 follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,500	\$	\$ 3,500	\$
Total capital assets, not being depreciated	<u>3,500</u>		<u>3,500</u>	
Capital assets, being depreciated:				
Land improvements	36,466			36,466
Buildings and improvements	151,880			151,880
Vehicles, furniture and equipment	645,592	278,573	241,319	682,846
Total capital assets being depreciated	<u>833,938</u>	<u>278,573</u>	<u>241,319</u>	<u>871,192</u>
Less accumulated depreciation for:				
Land improvements	(19,564)	(2,209)		(21,773)
Buildings and improvements	(96,675)	(7,362)		(104,037)
Vehicles, furniture and equipment	(484,149)	(28,437)	(207,796)	(304,790)
Total accumulated depreciation	<u>(600,388)</u>	<u>(38,008)</u>	<u>(207,796)</u>	<u>(430,600)</u>
Total capital assets, being depreciated, net	<u>233,550</u>	<u>240,565</u>	<u>33,523</u>	<u>440,592</u>
Governmental activities capital assets, net	<u>\$ 237,050</u>	<u>\$ 240,565</u>	<u>\$ 37,023</u>	<u>\$ 440,592</u>

Depreciation expense was charged to governmental functions as follows.

Instruction	\$14,130
Support services – students and staff	5,471
Support services – administration	1,674
Operation and maintenance and plant services	3,353
Student transportation services	13,380
Total depreciation expense – governmental activities	<u>\$38,008</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2009, interfund balances were as follows.

Due to/from other funds:

Due to	Due from							Total
	General Fund	Title I Grants Fund	Professional Development and Technology Grants Fund	Vocational Education Fund	Other Federal Projects Fund	Non-Major Governmental Funds		
School Plant Fund	\$ 55,123	\$	\$	\$	\$	\$	\$	\$ 55,123
Administrative Costs Fund		19,108	10,750	45,755	5,050	37,145		117,808
Total	\$ 55,123	\$ 19,108	\$ 10,750	\$ 45,755	\$ 5,050	\$ 37,145		\$ 172,931

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 Administrative Costs Fund. In addition, in fiscal year 2006-07 the General Fund borrowed monies from the School Plant Fund to eliminate a negative cash position during that fiscal year. This amount was not repaid as of June 30, 2009. All interfund balances are expected to be paid within one year.

Interfund transfers:

Transfers out	Transfers in				Total
	Fee for Service Fund	Administrative Costs Fund	Non-Major Governmental and Other Funds		
Professional Development and Technology Grants Fund	\$	\$ 1,503	\$	\$	\$ 1,503
Vocational Education Fund		1,023			1,023
Other Federal Projects Fund		887			887
Non-Major Governmental Funds	234	99	110,000		110,333
Total	\$ 234	\$ 3,512	\$ 110,000		\$ 113,746

Transfers between funds were used to (1) to move Federal grant funds restricted for indirect costs to the Administrative Costs Fund, a non-major governmental fund, (2) to move the portion of the cash balance not being used to make expenditures in the budget year to Soft Capital Allocations Fund, and (3) to eliminate negative cash balances for Fee for Services funds that were identified as non-operational.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 – OBLIGATIONS UNDER OPEARATING LEASES

The Reserve leases a building and copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$63,037 for the year ended June 30, 2009. The building operating lease has a remaining noncancelable lease term from January 1, 2009 to December 31, 2011 and provides renewal options. The copiers operating lease has a cancellable lease term from October 2008 to September 2013. The future minimum rental payments required under the operating leases at June 30, 2009, were as follows.

Year Ending June 30:		
2010	\$	73,990
2011		75,514
2012		49,756
2013		23,224
2014		5,806
Total minimum payments required	\$	<u>228,290</u>

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 24,826	\$ 41,753	\$ 32,625	\$ 33,954	\$ 32,205
Other postemployment benefits	67,431		67,431		
Governmental activity long-term liabilities	\$ 92,257	\$ 41,753	\$ 100,056	\$ 33,954	\$ 32,205

NOTE 9 – 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, 2009

NOTE 10 – 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 continues to carry commercial insurance for all other risks of loss, including workers' compensation and 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 11 – RETIREMENT PLAN

Plan Description – The Reserve contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System (ASRS)* that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. Benefits are established by state statute and generally provide 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 retiree's 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 generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. 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.

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 – RETIREMENT PLAN (Concl'd)

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the Reserve's contribution rates. For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 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 9.45 percent (7.99 percent for retirement and 0.96 percent for health insurance premiums, and 0.5 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:			
2009	\$ 120,832	\$ 14,518	\$ 7,561
2008	119,615	15,602	7,429
2007	108,341	15,067	7,175

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

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State aid and grants	\$ 855,278	\$ 855,278	\$ 948,483	\$ 93,205
Total revenues	<u>855,278</u>	<u>855,278</u>	<u>948,483</u>	<u>93,205</u>
Expenditures:				
Regular education				
Instruction	272,427	490,023	372,798	117,225
Support services - students and staff	81,400	95,200	34,692	60,508
Support services - administration	426,964	89,083	208,820	(119,737)
Operation and maintenance of plant services		7,000	6,442	558
Total regular education	<u>780,791</u>	<u>681,306</u>	<u>622,752</u>	<u>58,554</u>
Special education				
Instruction	46,079	199,000	169,003	29,997
Support services - students and staff		22,500	7,910	14,590
Support services - administration			2,009	(2,009)
Operation and maintenance of plant services			569	(569)
Total special education	<u>46,079</u>	<u>221,500</u>	<u>179,491</u>	<u>42,009</u>
Pupil transportation				
Student transportation services			127,380	(127,380)
Total pupil transportation			<u>127,380</u>	<u>(127,380)</u>
Total expenditures	<u>826,870</u>	<u>902,806</u>	<u>929,623</u>	<u>(26,817)</u>
Change in fund balances	<u>28,408</u>	<u>(47,528)</u>	<u>18,860</u>	<u>66,388</u>
Fund balances (deficits), July 1, 2008	(48,707)	(48,707)	29,786	78,493
Fund balances (deficits), June 30, 2009	<u>\$ (20,299)</u>	<u>\$ (96,235)</u>	<u>\$ 48,646</u>	<u>\$ 144,881</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TITLE I GRANTS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 374,779	\$ 374,779
Total revenues			374,779	374,779
Expenditures:				
Current -				
Instruction	63,800	47,479	116,639	(69,160)
Support services - students and staff	135,547	100,872	247,807	(146,935)
Support services - administration	5,653	4,206	10,333	(6,127)
Total expenditures	205,000	152,557	374,779	(222,222)
Change in fund balances	(205,000)	(152,557)		152,557
Fund balances, July 1, 2008				
Fund balances (deficits), June 30, 2009	\$ (205,000)	\$ (152,557)	\$	\$ 152,557

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, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Non-GAAP Actual	
Revenues:				
Other local	\$	\$	\$ 41,478	\$ 41,478
Federal aid, grants and reimbursements			1,077,941	1,077,941
Total revenues			<u>1,119,419</u>	<u>1,119,419</u>
Expenditures:				
Current -				
Instruction	783,069	778,390	638,643	139,747
Support services - students and staff	420,450	417,934	342,901	75,033
Support services - administration	156,630	155,694	127,742	27,952
Operation and maintenance of plant services	3,232	3,213	2,636	577
Capital outlay	7,346	7,305	5,994	1,311
Total expenditures	<u>1,370,727</u>	<u>1,362,536</u>	<u>1,117,916</u>	<u>244,620</u>
Excess (deficiency) of revenues over expenditures	<u>(1,370,727)</u>	<u>(1,362,536)</u>	<u>1,503</u>	<u>1,364,039</u>
Other financing sources (uses):				
Transfer out	<u>(1,503)</u>	<u>(1,503)</u>	<u>(1,503)</u>	
Total other financing sources (uses)	<u>(1,503)</u>	<u>(1,503)</u>	<u>(1,503)</u>	
Change in fund balances	<u>(1,372,230)</u>	<u>(1,364,039)</u>		<u>1,364,039</u>
Fund balances, July 1, 2008				
Increase in reserve for prepaid items			27,843	27,843
Fund balances, June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ 27,843</u>	<u>\$ 27,843</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - VOCATIONAL EDUCATION
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 310,756	\$ 310,756
Total revenues		<u>310,756</u>	<u>310,756</u>
Expenditures:			
Current -			
Support services - students and staff	239,169	306,171	(67,002)
Support services - administration	391	500	(109)
Operation and maintenance of plant services	1,640	2,100	(460)
Capital outlay	751	962	(211)
Total expenditures	<u>241,951</u>	<u>309,733</u>	<u>(67,782)</u>
Excess (deficiency) of revenues over expenditures	<u>(241,951)</u>	<u>1,023</u>	<u>242,974</u>
Other financing sources (uses):			
Transfer out	<u>(1,023)</u>	<u>(1,023)</u>	
Total other financing sources (uses)	<u>(1,023)</u>	<u>(1,023)</u>	
Change in fund balances	<u>(242,974)</u>		<u>242,974</u>
Fund balances, July 1, 2008			
Increase in reserve for prepaid items		4,317	4,317
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 4,317</u>	<u>\$ 4,317</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, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 309,263	\$ 309,263
Total revenues			309,263	309,263
Expenditures:				
Current -				
Support services - students and staff	610,738	563,930	261,444	302,486
Support services - administration	108,611	100,287	46,494	53,793
Operation and maintenance of plant services	1,023	944	438	506
Total expenditures	720,372	665,161	308,376	356,785
Excess (deficiency) of revenues over expenditures	(720,372)	(665,161)	887	666,048
Other financing sources (uses):				
Transfer out	(887)	(887)	(887)	
Total other financing sources (uses)	(887)	(887)	(887)	
Change in fund balances	(721,259)	(666,048)		666,048
Fund balances, July 1, 2008				
Fund balances (deficits), June 30, 2009	\$ (721,259)	\$ (666,048)	\$	\$ 666,048

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SCHOOL PLANT
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 8,148	\$ 8,148
Total revenues			8,148	8,148
Expenditures:				
Current -				
Instruction		488,001		488,001
Total expenditures		488,001		488,001
Change in fund balances		(488,001)	8,148	496,149
Fund balances, July 1, 2008			539,571	539,571
Fund balances (deficits), June 30, 2009	\$	\$ (488,001)	\$ 547,719	\$ 1,035,720

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, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Other local	\$	\$ 5,522	\$ 5,522
State aid and grants		93,300	93,300
Total revenues		98,822	98,822
Expenditures:			
Current -			
Support services - administration		72,908	(72,908)
Capital outlay		2,063	(2,063)
Total expenditures		74,971	(74,971)
Change in fund balances		23,851	23,851
Fund balances, July 1, 2008		251,638	251,638
Fund balances, June 30, 2009	\$	\$ 275,489	\$ 275,489

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FEE FOR SERVICE PROGRAM
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Other local	\$	\$ 418,254	\$ 418,254
Total revenues		418,254	418,254
Expenditures:			
Current -			
Instruction		600	(600)
Support services - students and staff		396,194	(396,194)
Support services - administration		2,484	(2,484)
Operation and maintenance of plant services		8,857	(8,857)
Capital outlay		7,648	(7,648)
Total expenditures		415,783	(415,783)
Excess (deficiency) of revenues over expenditures		2,471	2,471
Other financing sources (uses):			
Transfer in		234	234
Total other financing sources (uses)		234	234
Change in fund balances		2,705	2,705
Fund balances, July 1, 2008		149,796	149,796
Fund balances, June 30, 2009	\$	\$ 152,501	\$ 152,501

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 112,626	\$ 112,626
Total revenues			112,626	112,626
Expenditures:				
Current -				
Instruction	36,000	37	440	(403)
Support services - students and staff		8,279	98,556	(90,277)
Support services - administration		4,764	56,705	(51,941)
Operation and maintenance of plant services		69	820	(751)
Capital outlay		85	1,015	(930)
Total expenditures	36,000	13,234	157,536	(144,302)
Excess (deficiency) of revenues over expenditures	(36,000)	(13,234)	(44,910)	(31,676)
Other financing sources (uses):				
Transfer in			3,512	3,512
Total other financing sources (uses)			3,512	3,512
Change in fund balances	(36,000)	(13,234)	(41,398)	(28,164)
Fund balances, July 1, 2008			381,808	381,808
Fund balances (deficits), June 30, 2009	\$ (36,000)	\$ (13,234)	\$ 340,410	\$ 353,644

See accompanying notes to this schedule.

PIMA COUNTY SCHOOL RESERVE FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The General Fund adopted budget of the Reserve is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception. A portion of the fiscal year 2008-09 insurance payments were budgeted for in fiscal year 2007-08. Consequently, the following adjustment was necessary to present actual expenditures and fund balance at July 1, 2008 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, July 1, 2008</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 942,492	\$ 42,655
Fiscal year 2008-09 insurance payments budgeted in 2007-08	<u>(12,869)</u>	<u>(12,869)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 929,623</u>	<u>\$ 29,786</u>

The Professional Development and Technology Grants Fund adopted budget of the Reserve is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception. The student services agreement for fiscal year 2009-10 was charged against the fiscal year 2008-09 budget. Consequently, the following adjustment was necessary to present actual revenues, expenditures, increase in reserve for prepaid items and fund balance at July 1, 2009 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Increase in Reserve for Prepaid Items</u>	<u>Fund Balance, July 1, 2009</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 1,095,919	\$ 1,094,416	\$ 4,343	\$ 4,343
Fiscal year 2009-10 student services agreement budgeted in 2008-09	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 1,119,419</u>	<u>\$ 1,117,916</u>	<u>\$ 27,843</u>	<u>\$ 27,843</u>

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

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NON-MAJOR GOVERNMENTAL FUNDS

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2009**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 204,258	\$ 464,493	\$ 668,751
Accounts receivable	3,641		3,641
Due from governmental entities	49,235	6,612	55,847
Total assets	\$ 257,134	\$ 471,105	\$ 728,239
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 6,853	\$ 1,423	\$ 8,276
Due to other funds	37,145		37,145
Deferred revenues	7,901		7,901
Total liabilities	51,899	1,423	53,322
Fund balances:			
Unreserved:			
Undesignated	205,235	469,682	674,917
Total fund balances	205,235	469,682	674,917
 Total liabilities and fund balances	 \$ 257,134	 \$ 471,105	 \$ 728,239

**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, 2009**

	Special Revenue	Capital Projects	Total Non-Major Governmental Funds
Revenues:			
Other local	\$ 11,881	\$ 14,100	\$ 25,981
State aid and grants	60,685	39,727	100,412
Federal aid, grants and reimbursements	104,332		104,332
Total revenues	176,898	53,827	230,725
Expenditures:			
Current -			
Instruction	93,636		93,636
Support services - students and staff	44,308		44,308
Support services - administration	10,999		10,999
Operation and maintenance of plant services	1,360		1,360
Operation of non-instructional services	17,844		17,844
Capital outlay	26,250	463,757	490,007
Total expenditures	194,397	463,757	658,154
 Excess (deficiency) of revenues over expenditures	 (17,499)	 (409,930)	 (427,429)
 Other financing sources (uses):			
Transfer in		110,000	110,000
Transfer out	(333)	(110,000)	(110,333)
Total other financing sources (uses)	(333)		(333)
 Change in fund balances	 (17,832)	 (409,930)	 (427,762)
Fund balances, beginning of year	223,067	888,766	1,111,833
(Decrease) in reserve for prepaid items		(9,154)	(9,154)
 Fund balances, end of year	 \$ 205,235	 \$ 469,682	 \$ 674,917

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Chemical Abuse Prevention - to account for financial assistance received for chemical abuse awareness programs.

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

Auxiliary Operations - to account for activity arising from bookstore, athletic and miscellaneous Reserve related operations.

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.

Career and Technical Education and Vocational Education Projects - to account for financial assistance for preparation of individuals for employment or advancement in a career not requiring a baccalaureate or advanced degree.

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

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

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

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

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

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

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Classroom Site	Instructional Improvement	Title IV Grants	Limited English and Immigrant Students
<u>ASSETS</u>				
Cash and investments	\$ 65,200	\$ 37,392	\$ 45	\$
Accounts receivable				
Due from governmental entities	7,467	1,411		15,999
Total assets	\$ 72,667	\$ 38,803	\$ 45	\$ 15,999
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 6,853
Due to other funds				9,146
Deferred revenues			45	
Total liabilities			45	15,999
Fund balances:				
Unreserved:				
Undesignated	72,667	38,803		
Total fund balances	72,667	38,803		
Total liabilities and fund balances	\$ 72,667	\$ 38,803	\$ 45	\$ 15,999

<u>Special Education Grants</u>	<u>Medicaid Reimbursement</u>	<u>Other State Projects</u>	<u>Extracurricular Activities Fees Tax Credit</u>	<u>Gifts and Donations</u>	<u>Fingerprint</u>
\$	\$ 1,097	\$ 7,856	\$ 14,124	\$ 35,821	\$ 123
24,358					
<u>\$ 24,358</u>	<u>\$ 1,097</u>	<u>\$ 7,856</u>	<u>\$ 14,124</u>	<u>\$ 35,821</u>	<u>\$ 123</u>
\$	\$	\$	\$	\$	\$
24,358					
		7,856			
<u>24,358</u>		<u>7,856</u>			
	1,097		14,124	35,821	123
	<u>1,097</u>		<u>14,124</u>	<u>35,821</u>	<u>123</u>
<u>\$ 24,358</u>	<u>\$ 1,097</u>	<u>\$ 7,856</u>	<u>\$ 14,124</u>	<u>\$ 35,821</u>	<u>\$ 123</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009
 (Concluded)**

	Insurance Proceeds	Litigation Recovery	Unemployment Insurance	Teacherae
<u>ASSETS</u>				
Cash and investments	\$ 6,646	\$ 11,144	\$ 26	\$ 24,784
Accounts receivable				
Due from governmental entities				
Total assets	\$ 6,646	\$ 11,144	\$ 26	\$ 24,784
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Deferred revenues				
Total liabilities	_____	_____	_____	_____
Fund balances:				
Unreserved:				
Undesignated	6,646	11,144	26	24,784
Total fund balances	6,646	11,144	26	24,784
Total liabilities and fund balances	\$ 6,646	\$ 11,144	\$ 26	\$ 24,784

<u>United Way Early Childhood</u>	<u>Totals</u>
\$	\$
3,641	204,258
	3,641
	49,235
<u>\$ 3,641</u>	<u>\$ 257,134</u>

\$	\$
3,641	6,853
	37,145
	7,901
<u>3,641</u>	<u>51,899</u>

	<u>205,235</u>
	<u>205,235</u>

<u>\$ 3,641</u>	<u>\$ 257,134</u>
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**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009**

	Classroom Site	Instructional Improvement	Limited English and Immigrant Students
Revenues:			
Other local	\$ 1,690	\$ 672	\$
State aid and grants	50,887	5,467	
Federal aid, grants and reimbursements			24,938
Total revenues	52,577	6,139	24,938
Expenditures:			
Current -			
Instruction	60,650		7,017
Support services - students and staff			17,822
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	60,650		24,839
Excess (deficiency) of revenues over expenditures	(8,073)	6,139	99
Other financing sources (uses):			
Transfer out			(99)
Total other financing sources (uses)			(99)
Change in fund balances	(8,073)	6,139	
Fund balances, beginning of year	80,740	32,664	
Fund balances, end of year	\$ 72,667	\$ 38,803	\$

Special Education Grants	Medicaid Reimbursement	Other State Projects	Auxiliary Operations	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$	\$	\$	\$ 270	\$ 1,371
		4,331			
79,394					
79,394		4,331		270	1,371
25,729					
16,473		2,971			
10,942					
		1,360			
			844		
26,250					
79,394		4,331	844		
			(844)	270	1,371
					(220)
					(220)
			(844)	270	1,151
	1,097		844	13,854	34,670
\$	\$ 1,097	\$	\$	\$ 14,124	\$ 35,821

(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, 2009
 (Concluded)**

	Career and Technical and Vocational Education Projects	Fingerprint	Insurance Proceeds
Revenues:			
Other local	\$	\$	\$ 127
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			127
Expenditures:			
Current -			
Instruction	240		
Support services - students and staff			
Support services - administration		57	
Operation and maintenance of plant services			
Operation of non-instructional services	17,000		
Capital outlay			
Total expenditures	17,240	57	
Excess (deficiency) of revenues over expenditures	(17,240)	(57)	127
Other financing sources (uses):			
Transfer out	(14)		
Total other financing sources (uses)	(14)		
Change in fund balances	(17,254)	(57)	127
Fund balances, beginning of year	17,254	180	6,519
Fund balances, end of year	\$	\$ 123	\$ 6,646

Litigation Recovery	Unemployment Insurance	Teacherage	United Way Early Childhood	Totals
\$ 234	\$ 1	\$ 474	\$ 7,042	\$ 11,881
				60,685
				104,332
<u>234</u>	<u>1</u>	<u>474</u>	<u>7,042</u>	<u>176,898</u>
				93,636
			7,042	44,308
				10,999
				1,360
				17,844
				26,250
			<u>7,042</u>	<u>194,397</u>
<u>234</u>	<u>1</u>	<u>474</u>		<u>(17,499)</u>
				(333)
				(333)
<u>234</u>	<u>1</u>	<u>474</u>		<u>(17,832)</u>
10,910	25	24,310		223,067
<u>\$ 11,144</u>	<u>\$ 26</u>	<u>\$ 24,784</u>	<u>\$</u>	<u>\$ 205,235</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, 2009**

	Classroom Site		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 1,690	\$ 1,690
State aid and grants		50,887	50,887
Federal aid, grants and reimbursements			
Total revenues		52,577	52,577
Expenditures:			
Current -			
Instruction	118,816	60,650	58,166
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	118,816	60,650	58,166
Excess (deficiency) of revenues over expenditures	(118,816)	(8,073)	110,743
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	(118,816)	(8,073)	110,743
Fund balances, July 1, 2008		80,740	80,740
Fund balances (deficits), June 30, 2009	\$ (118,816)	\$ 72,667	\$ 191,483

Instructional Improvement			Title IV Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 672	\$ 672	\$	\$	\$
	5,467	5,467			
	6,139	6,139			
62,803		62,803	293		293
62,803		62,803	293		293
(62,803)	6,139	68,942	(293)		293
(62,803)	6,139	68,942	(293)		293
	32,664	32,664			
\$ (62,803)	\$ 38,803	\$ 101,606	\$ (293)	\$	\$ 293

(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, 2009
 (Continued)**

	Limited English and Immigrant Students		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		24,938	24,938
Total revenues		24,938	24,938
Expenditures:			
Current -			
Instruction	22,747	7,017	15,730
Support services - students and staff	57,772	17,822	39,950
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	80,519	24,839	55,680
Excess (deficiency) of revenues over expenditures	(80,519)	99	80,618
Other financing sources (uses):			
Transfer out	(99)	(99)	
Total other financing sources (uses)	(99)	(99)	
Change in fund balances	(80,618)		80,618
Fund balances, July 1, 2008			
Fund balances (deficits), June 30, 2009	\$ (80,618)	\$	\$ 80,618

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

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009
 (Continued)**

	Chemical Abuse Prevention Programs		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	1,000		1,000
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	1,000		1,000
Excess (deficiency) of revenues over expenditures	(1,000)		1,000
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	(1,000)		1,000
Fund balances, July 1, 2008			
Fund balances (deficits), June 30, 2009	\$ (1,000)	\$	\$ 1,000

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

Other State Projects		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,331	\$ 4,331
	4,331	4,331
566	2,971	(2,405)
259	1,360	(1,101)
825	4,331	(3,506)
(825)		825
(825)		825
\$ (825)	\$	\$ 825

Auxiliary Operations		
Budget*	Actual	Variance - Positive (Negative)
\$	\$	\$
	844	(844)
	844	(844)
	(844)	(844)
	(844)	(844)
	844	844
\$	\$	\$

(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, 2009
 (Continued)**

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 270	\$ 270
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		270	270
Expenditures:			
Current -			
Instruction	13,992		13,992
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	13,992		13,992
Excess (deficiency) of revenues over expenditures	(13,992)	270	14,262
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	(13,992)	270	14,262
Fund balances, July 1, 2008		13,854	13,854
Fund balances (deficits), June 30, 2009	\$ (13,992)	\$ 14,124	\$ 28,116

*The Career and Technical and Vocational Education Projects Fund was included in the District's budget, however, the budget was -0-.

Gifts and Donations			Career and Technical and Vocational Education Projects		
Budget	Actual	Variance - Positive (Negative)	Budget*	Actual	Variance - Positive (Negative)
\$	\$ 1,371	\$ 1,371	\$	\$	\$
	1,371	1,371			
15,602		15,602		240	(240)
				17,000	(17,000)
15,602		15,602		17,240	(17,240)
(15,602)	1,371	16,973		(17,240)	(17,240)
(220)	(220)			(14)	(14)
(220)	(220)			(14)	(14)
(15,822)	1,151	16,973		(17,254)	(17,254)
	34,670	34,670		17,254	17,254
\$ (15,822)	\$ 35,821	\$ 51,643	\$	\$	\$

(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, 2009
(Continued)

	Fingerprint		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration	122	57	65
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	122	57	65
Excess (deficiency) of revenues over expenditures	(122)	(57)	65
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances	(122)	(57)	65
Fund balances, July 1, 2008		180	180
Fund balances (deficits), June 30, 2009	\$ (122)	\$ 123	\$ 245

Insurance Proceeds		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 127	\$ 127
	127	127
6,579		6,579
6,579		6,579
(6,579)	127	6,706
(6,579)	127	6,706
	6,519	6,519
\$ (6,579)	\$ 6,646	\$ 13,225

Litigation Recovery		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 234	\$ 234
	234	234
403		403
403		403
(403)	234	637
(403)	234	637
	10,910	10,910
\$ (403)	\$ 11,144	\$ 11,547

(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, 2009
 (Continued)**

	Unemployment Insurance		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	1 \$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		1	1
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		1	1
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses)			
Change in fund balances		1	1
Fund balances, July 1, 2008		25	25
Fund balances (deficits), June 30, 2009	\$	\$ 26	\$ 26

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

Teacherage		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 474	\$ 474
	474	474
24,553		24,553
24,553		24,553
(24,553)	474	25,027
(24,553)	474	25,027
	24,310	24,310
\$ (24,553)	\$ 24,784	\$ 49,337

United Way Early Childhood		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 7,042	\$ 7,042
	7,042	7,042
7,500	7,042	458
7,500	7,042	458
(7,500)		7,500
(7,500)		7,500
\$ (7,500)	\$	\$ 7,500

(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, 2009
 (Concluded)**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 11,881	\$ 11,881
State aid and grants		60,685	60,685
Federal aid, grants and reimbursements		104,332	104,332
Total revenues		176,898	176,898
Expenditures:			
Current -			
Instruction	291,408	93,636	197,772
Support services - students and staff	81,601	44,308	37,293
Support services - administration	10,592	10,999	(407)
Operation and maintenance of plant services	259	1,360	(1,101)
Operation of non-instructional services		17,844	(17,844)
Capital outlay	25,118	26,250	(1,132)
Total expenditures	408,978	194,397	214,581
Excess (deficiency) of revenues over expenditures	(408,978)	(17,499)	391,479
Other financing sources (uses):			
Transfer out	(319)	(333)	(14)
Total other financing sources (uses)	(319)	(333)	(14)
Change in fund balances	(409,297)	(17,832)	391,465
Fund balances, July 1, 2008		223,067	223,067
Fund balances (deficits), June 30, 2009	\$ (409,297)	\$ 205,235	\$ 614,532

NON-MAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009**

	Unrestricted Capital Outlay	Soft Capital Allocation	Building Renewal	Bus Replacement
<u>ASSETS</u>				
Cash and investments	\$ 230,788	\$ 197,157	\$ 32,526	\$ 4,022
Due from governmental entities		6,612		
Total assets	\$ 230,788	\$ 203,769	\$ 32,526	\$ 4,022
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$ 1,423	\$	\$
Total liabilities		1,423		
Fund balances:				
Unreserved:				
Undesignated	230,788	202,346	32,526	4,022
Total fund balances	230,788	202,346	32,526	4,022
Total liabilities and fund balances	\$ 230,788	\$ 203,769	\$ 32,526	\$ 4,022

Totals

\$	464,493
	<u>6,612</u>
\$	<u>471,105</u>

\$	1,423
	<u>1,423</u>

	<u>469,682</u>
	<u>469,682</u>

\$	<u>471,105</u>
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**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009**

	Unrestricted Capital Outlay	Soft Capital Allocation	Building Renewal
Revenues:			
Other local	\$ 6,752	\$ 2,167	\$ 633
State aid and grants		39,727	
Total revenues	6,752	41,894	633
Expenditures:			
Capital outlay	124,552	60,632	
Total expenditures	124,552	60,632	
Excess (deficiency) of revenues over expenditures	(117,800)	(18,738)	633
Other financing sources (uses):			
Transfer in		110,000	
Transfer out	(110,000)		
Total other financing sources (uses)	(110,000)	110,000	
Change in fund balances	(227,800)	91,262	633
Fund balances, beginning of year	458,588	120,238	31,893
(Decrease) in reserve for prepaid items		(9,154)	
Fund balances, end of year	\$ 230,788	\$ 202,346	\$ 32,526

<u>Bus Replacement</u>	<u>Totals</u>
\$ 4,548	\$ 14,100
	39,727
<u>4,548</u>	<u>53,827</u>
<u>278,573</u>	<u>463,757</u>
<u>278,573</u>	<u>463,757</u>
<u>(274,025)</u>	<u>(409,930)</u>
	110,000
	<u>(110,000)</u>
<u>(274,025)</u>	<u>(409,930)</u>
278,047	888,766
	(9,154)
<u>\$ 4,022</u>	<u>\$ 469,682</u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009**

	Unrestricted Capital Outlay		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 6,752	\$ 6,752
State aid and grants			
Total revenues		<u>6,752</u>	<u>6,752</u>
Expenditures:			
Capital outlay	484,116	124,552	359,564
Total expenditures	<u>484,116</u>	<u>124,552</u>	<u>359,564</u>
Excess (deficiency) of revenues over expenditures	<u>(484,116)</u>	<u>(117,800)</u>	<u>366,316</u>
Other financing sources (uses):			
Transfer in			
Transfer out		(110,000)	(110,000)
Total other financing sources (uses)		<u>(110,000)</u>	<u>(110,000)</u>
Change in fund balances	<u>(484,116)</u>	<u>(227,800)</u>	<u>256,316</u>
Fund balances, July 1, 2008	448,415	458,588	10,173
(Decrease) in reserve for prepaid items			
Fund balances (deficits), June 30, 2009	<u>\$ (35,701)</u>	<u>\$ 230,788</u>	<u>\$ 266,489</u>

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

Soft Capital Allocation			Building Renewal		
Budget	Actual	Variance - Positive (Negative)	Budget*	Actual	Variance - Positive (Negative)
\$	\$ 2,167	\$ 2,167	\$	\$ 633	\$ 633
	39,727	39,727			
	41,894	41,894		633	633
114,169	60,632	53,537			
114,169	60,632	53,537			
(114,169)	(18,738)	95,431		633	633
	110,000	110,000			
	110,000	110,000			
(114,169)	91,262	205,431		633	633
81,265	120,238	38,973		31,893	31,893
	(9,154)	(9,154)			
\$ (32,904)	\$ 202,346	\$ 235,250	\$	\$ 32,526	\$ 32,526

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009
 (Concluded)**

	Bus Replacement		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 4,548	\$ 4,548
State aid and grants			
Total revenues		4,548	4,548
Expenditures:			
Capital outlay		278,573	(278,573)
Total expenditures		278,573	(278,573)
Excess (deficiency) of revenues over expenditures		(274,025)	(274,025)
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses)			
Change in fund balances		(274,025)	(274,025)
Fund balances, July 1, 2008		278,047	278,047
(Decrease) in reserve for prepaid items			
Fund balances (deficits), June 30, 2009	\$	\$ 4,022	\$ 4,022

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

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 14,100	\$ 14,100
	39,727	39,727
	53,827	53,827
598,285	463,757	134,528
598,285	463,757	134,528
(598,285)	(409,930)	188,355
	110,000	110,000
	(110,000)	(110,000)
(598,285)	(409,930)	188,355
529,680	888,766	359,086
	(9,154)	(9,154)
\$ (68,605)	\$ 469,682	\$ 538,287

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AGENCY FUNDS

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 JUNE 30, 2009**

	Employee Withholding	COBRA Clearing	Totals
<u>ASSETS</u>			
Cash and investments	\$ 20,906	\$ 5,313	\$ 26,219
Total assets	\$ 20,906	\$ 5,313	\$ 26,219
 <u>LIABILITIES</u>			
Accounts payable	17,500		17,500
Deposits held for others	3,406	5,313	8,719
Total liabilities	\$ 20,906	\$ 5,313	\$ 26,219

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ _____	\$ 2,715,125	\$ 2,715,125	\$ _____
Total assets	\$ _____	\$ 2,715,125	\$ 2,715,125	\$ _____
<u>Liabilities</u>				
Deposits held for others	\$ _____	\$ 2,715,125	\$ 2,715,125	\$ _____
Total liabilities	\$ _____	\$ 2,715,125	\$ 2,715,125	\$ _____
<u>EMPLOYEE WITHHOLDING</u>				
<u>Assets</u>				
Cash and investments	\$ 4,153	\$ 164,369	\$ 147,616	\$ 20,906
Total assets	\$ 4,153	\$ 164,369	\$ 147,616	\$ 20,906
<u>Liabilities</u>				
Accounts payable	\$ _____	\$ 17,500	\$ _____	\$ 17,500
Deposits held for others	4,153	146,869	147,616	3,406
Total liabilities	\$ 4,153	\$ 164,369	\$ 147,616	\$ 20,906
<u>COBRA CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ 4,394	\$ 8,005	\$ 7,086	\$ 5,313
Total assets	\$ 4,394	\$ 8,005	\$ 7,086	\$ 5,313
<u>Liabilities</u>				
Deposits held for others	\$ 4,394	\$ 8,005	\$ 7,086	\$ 5,313
Total liabilities	\$ 4,394	\$ 8,005	\$ 7,086	\$ 5,313
<u>TOTAL AGENCY</u>				
<u>Assets</u>				
Cash and investments	\$ 8,547	\$ 2,887,499	\$ 2,869,827	\$ 26,219
Total assets	\$ 8,547	\$ 2,887,499	\$ 2,869,827	\$ 26,219
<u>Liabilities</u>				
Accounts payable	\$ _____	\$ 17,500	\$ _____	\$ 17,500
Deposits held for others	8,547	2,869,999	2,869,827	8,719
Total liabilities	\$ 8,547	\$ 2,887,499	\$ 2,869,827	\$ 26,219

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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**PIMA COUNTY SCHOOL RESERVE FUND
NET ASSETS BY COMPONENT
LAST 8 FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Net Assets:					
Invested in capital assets	\$ 440,592	\$ 237,050	\$ 218,823	\$ 765,949	\$ 790,933
Restricted	469,682	888,766	912,999	965,277	928,703
Unrestricted	1,544,706	1,496,278	1,291,031	347,831	366,230
Total net assets	\$ 2,454,980	\$ 2,622,094	\$ 2,422,853	\$ 2,079,057	\$ 2,085,866

	2004	2003	2002
Net Assets:			
Invested in capital assets	\$ 856,797	\$ 830,508	\$ 806,978
Restricted	904,539	853,581	954,168
Unrestricted	481,124	621,193	677,575
Total net assets	\$ 2,242,460	\$ 2,305,282	\$ 2,438,721

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST 8 FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses					
Instruction	\$ 1,572,024	\$ 1,605,284	\$ 966,212	\$ 913,986	\$ 1,037,381
Support services - students and staff	1,752,237	1,716,069	1,338,225	1,209,102	903,616
Support services - administration	552,864	474,858	568,049	584,978	771,535
Operation and maintenance of plant services	39,444	47,524	55,315	46,162	74,112
Student transportation services	138,358	185,147	146,583	177,704	156,394
Operation of non-instructional services	17,844				
Total expenses	<u>4,072,771</u>	<u>4,028,882</u>	<u>3,074,384</u>	<u>2,931,932</u>	<u>2,943,038</u>
Program Revenues					
Charges for services:					
Instruction		90,939	121,037	74,904	50,181
Support services - students and staff	413,913	460,985	357,515	45,518	24,952
Other activities	106,824	23,557	82,026	50,576	75,380
Operating grants and contributions	2,163,603	2,276,264	1,256,894	1,416,147	1,098,668
Capital grants and contributions	33,206	40,219	20,624	38,107	139,542
Total program revenues	<u>2,717,546</u>	<u>2,891,964</u>	<u>1,838,096</u>	<u>1,625,252</u>	<u>1,388,723</u>
Net (Expense)/Revenue	<u>\$ (1,355,225)</u>	<u>\$ (1,136,918)</u>	<u>\$ (1,236,288)</u>	<u>\$ (1,306,680)</u>	<u>\$ (1,554,315)</u>

**PIMA COUNTY SCHOOL RESERVE FUND
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST 8 FISCAL YEARS
(Accrual basis of accounting)**

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

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

Notes: 1) The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002 therefore only eight years are shown.

2) In fiscal year 2007, Support services - students and staff increased due to the implementation of new fee for service programs.

3) In fiscal year 2008, the Reserve became the pass-through entity for a \$1.0 million Technology Education Grant, resulting in an increase in Operating Grants and Contributions and Instruction expenses.

**PIMA COUNTY SCHOOL RESERVE FUND
GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS
LAST 8 FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net (Expense)/Revenue	\$ (1,355,225)	\$ (1,136,918)	\$ (1,236,288)	\$ (1,306,680)	\$ (1,554,315)
General Revenues:					
Investment income	40,458	110,765	78,618	57,660	27,794
Unrestricted county aid			587	149,033	162,061
Unrestricted state aid	1,137,864	1,213,927	1,161,915	1,093,178	1,207,866
Unrestricted federal aid	9,789	11,467	10,811		
Special item - gain on sale of land			34,056		
Total general revenues and special item	1,188,111	1,336,159	1,285,987	1,299,871	1,397,721
Changes in Net Assets	\$ (167,114)	\$ 199,241	\$ 49,699	\$ (6,809)	\$ (156,594)

**PIMA COUNTY SCHOOL RESERVE FUND
GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS
LAST 8 FISCAL YEARS
(Accrual basis of accounting)**

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

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

Notes: 1) The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002 therefore only eight years are shown.

2) In fiscal year 2003, investment income includes an investment loss due to a loss suffered in the participation of the Local Government Investment Pool.

3) The Arizona State Legislature suspended county equalization payments 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 8 FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund:					
Reserved	\$	\$	\$	\$ 8,929	\$
Unreserved	48,646	42,655	(76,656)	(109,769)	(19,707)
Total all other governmental funds	<u>\$ 48,646</u>	<u>\$ 42,655</u>	<u>\$ (76,656)</u>	<u>\$ (100,840)</u>	<u>\$ (19,707)</u>
All Other Governmental Funds:					
Reserved	\$ 8,660	\$ 9,154	\$ 9,343	\$ 2,233	\$
Unreserved, reported in:					
Special revenue funds	1,521,354	1,545,880	1,383,808	478,234	396,908
Capital projects funds	469,682	879,612	912,999	965,277	928,703
Total all other governmental funds	<u>\$ 1,999,696</u>	<u>\$ 2,434,646</u>	<u>\$ 2,306,150</u>	<u>\$ 1,445,744</u>	<u>\$ 1,325,611</u>
	<u>2004</u>	<u>2003</u>	<u>2002</u>		
General Fund:					
Reserved	\$	\$	\$		
Unreserved	47,904	156,473	171,656		
Total General Fund	<u>\$ 47,904</u>	<u>\$ 156,473</u>	<u>\$ 171,656</u>		
All Other Governmental Funds:					
Reserved	\$ 13,222	\$	\$		
Unreserved, reported in:					
Special revenue funds	415,514	464,720	737,236		
Capital projects funds	904,539	853,581	722,851		
Total all other governmental funds	<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.

**PIMA COUNTY SCHOOL RESERVE FUND
GOVERNMENTAL FUNDS REVENUES
LAST 8 FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Federal sources:					
Federal grants	\$ 2,143,782	\$ 2,282,967	\$ 1,105,999	\$ 1,237,097	\$ 1,063,877
Taylor Grazing	9,789	11,467	10,811	16,897	
Total federal sources	<u>2,153,571</u>	<u>2,294,434</u>	<u>1,116,810</u>	<u>1,253,994</u>	<u>1,063,877</u>
State sources:					
State equalization assistance	873,128	866,898	828,333	849,831	1,015,249
State grants	97,631	127,887	344,295	285,645	174,456
School Facilities Board		1,164			2,733
Other revenues	171,436	251,494	160,806	164,203	188,004
Total state sources	<u>1,142,195</u>	<u>1,247,443</u>	<u>1,333,434</u>	<u>1,299,679</u>	<u>1,380,442</u>
Local sources:					
County aid			587	149,033	162,061
Investment income (loss)	40,248	110,765	86,165	58,031	27,974
Other revenues	571,761	575,481	1,062,281	170,627	150,333
Total local sources	<u>612,009</u>	<u>686,246</u>	<u>1,149,033</u>	<u>377,691</u>	<u>340,368</u>
Total revenues	<u>\$ 3,907,775</u>	<u>\$ 4,228,123</u>	<u>\$ 3,599,277</u>	<u>\$ 2,931,364</u>	<u>\$ 2,784,687</u>
	<u>2004</u>	<u>2003</u>	<u>2002</u>		
Federal sources:					
Federal grants	\$ 732,266	\$ 598,290	\$ 891,284		
Taylor Grazing	20,549	10,436			
Total federal sources	<u>752,815</u>	<u>608,726</u>	<u>891,284</u>		
State sources:					
State equalization assistance	911,554	1,060,988	1,138,257		
State grants	158,401	184,081	233,324		
School Facilities Board	16,900	66,360	4,858		
Other revenues	192,019	193,751	142,158		
Total state sources	<u>1,278,874</u>	<u>1,505,180</u>	<u>1,518,597</u>		
Local sources:					
County aid	154,456	163,417	166,297		
Investment income (loss)	15,870	(39,209)	40,178		
Other revenues	100,420	102,494	213,492		
Total local sources	<u>270,746</u>	<u>226,702</u>	<u>419,967</u>		
Total revenues	<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 8 FISCAL YEARS
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenditures:					
Current -					
Instruction	\$ 1,391,759	\$ 1,546,890	\$ 849,379	\$ 862,864	\$ 957,543
Support services - students and staff	1,716,483	1,656,671	1,293,356	1,127,304	726,225
Support services - administration	538,994	458,326	529,481	576,251	713,498
Operation and maintenance of plant services	36,091	44,171	42,032	51,739	64,775
Student transportation services	127,380	117,367	106,984	142,569	133,442
Operation of non-instructional services	17,844				
Capital outlay	507,689	156,702	185,733	142,799	251,257
Total expenditures	<u>\$ 4,336,240</u>	<u>\$ 3,980,127</u>	<u>\$ 3,006,965</u>	<u>\$ 2,903,526</u>	<u>\$ 2,846,740</u>
Expenditures for capitalized assets	\$ 278,573	\$ 77,411	\$	\$ 69,824	\$ 5,023
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 8 FISCAL YEARS
(Modified accrual basis of accounting)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenditures:			
Current -			
Instruction	\$ 875,165	\$ 908,357	\$ 829,727
Support services - students and staff	526,053	628,704	1,013,067
Support services - administration	635,432	665,133	649,080
Operation and maintenance of plant services	78,077	54,816	78,995
Student transportation services	81,769	85,873	83,014
Operation of non-instructional services			
Capital outlay	212,756	154,694	
Total expenditures	<u>\$ 2,409,252</u>	<u>\$ 2,497,577</u>	<u>\$ 2,653,883</u>
Expenditures for capitalized assets	\$ 89,241	\$ 111,486	\$
Debt service as a percentage of noncapital expenditures	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 8 FISCAL YEARS
(Modified accrual basis of accounting)

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
COUNTY-WIDE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST 8 FISCAL YEARS**

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
COUNTY-WIDE DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST 8 CALENDAR YEARS**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2008	1,012,018	\$ N/A	\$ N/A	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.

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

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

<u>Employer</u>	<u>2009</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Raytheon Company	11,539	5.3 %	10,400	2.6 %
University of Arizona	10,575	4.9	11,606	2.9
State of Arizona	9,329	4.3	9,932	2.5
Davis Monthan AFB	7,509	3.5	9,200	2.3
Tucson Unified School District	7,227	3.3	8,278	2.1
Wal-Mart Stores, Inc.	6,715	3.1	3,800	1.0
Fort Huachuca	6,463	3.0	10,969	2.8
Pima County Government	6,235	2.9	7,175	1.8
Freeport-McMorRan Copper	5,987	2.8	3,783	1.0
City of Tucson	5,635	2.6	5,933	1.5
Total	<u>77,214</u>	<u>35.7 %</u>	<u>81,076</u>	<u>20.5 %</u>
 Total employment	 <u>216,287</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 8 FISCAL YEARS**

	Full-time Equivalent Employees as of June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Supervisory					
Assistant principals	2	2	2	2	2
Total supervisory	2	2	2	2	2
Instruction					
Teachers	12	12	13	14	17
Total instruction	12	12	13	14	17
Support and Administration					
Service workers	29	27	26	20	18
Total support and administration	29	27	26	20	18
Total	<u>43</u>	<u>41</u>	<u>41</u>	<u>36</u>	<u>37</u>

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Supervisory			
Assistant principals	2	1	1
Total supervisory	2	1	1
Instruction			
Teachers	17	21	21
Total instruction	17	21	21
Support and Administration			
Service workers	15	13	16
Total support and administration	15	13	16
Total	<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 8 FISCAL YEARS**

Fiscal Year Ended June 30	Average Daily Membership	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio
2009	108	\$ 3,827,870	\$ 35,443	17.73 %	\$ 4,072,771	\$ 37,711	18.88 %	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 8 FISCAL YEARS**

	Fiscal Year Ended June 30							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Schools</u>								
Elementary								
Buildings	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
Capacity	25	25	25	25	25	25	25	25
Enrollment	0	0	0	0	0	0	11	11

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

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

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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

The Board of Supervisors
Pima County School Reserve Fund

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County School Reserve Fund, a governmental fund of Pima County, Arizona, as of and for the year ended June 30, 2009 which collectively comprise Pima County School Reserve Fund's basic financial statements and have issued our report thereon dated October 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Pima County School Reserve Fund in a separate document entitled Uniform System of Financial Records (USFR) Compliance Questionnaire dated October 21, 2009.

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.
Certified Public Accountants

October 21, 2009