

**PIMA COUNTY SCHOOL RESERVE FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Issued by:
Pima County School Superintendent's Office

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PIMA COUNTY SCHOOL RESERVE FUND

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INTRODUCTORY SECTION

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Linda Arzoumanian, Ed.D.
Pima County School Superintendent

Debbie D'Amore
Chief Deputy

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www.schools.pima.gov • Email: schools@schools.pima.gov

Phone: 520.724.8451
Fax: 520.724.9308

November 15, 2012

Board of Supervisors
Pima County, Arizona

The Pima County School Reserve Fund, a department of Pima County, Arizona, has published a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Pima County School Reserve Fund (Reserve) for the fiscal year ended June 30, 2012.

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, 2012, 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, 2012, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE RESERVE

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

The Reserve is comprised of Pima Special Programs and the Pima Accommodation School District No. 00. Pima Special Programs functions primarily as the Pima County Educational Service Agency ("ESA"). Arizona county school superintendents are designated as educational services agencies. ESAs are authorized under A.R.S. §15-301(C) to provide programs and services to school districts and charter schools within each county. Additionally, the ESA may receive and spend local, state, and federal monies to provide such programs. These programs generally extend beyond the boundaries of individual school districts. A.R.S. §15-365 authorizes some of these projects to be operated as a consortium of school districts formed to ensure that students, parents, teachers, and other community members are provided appropriate educational programs. These programs may also be developed in response to federal, state, or local mandates upon school districts and charter schools so that they are accomplished more efficiently and economically as multidistrict operations. The Pima Accommodation School District No. 00 ("District") provides an education program for incarcerated school-aged youth, as required by A.R.S. §15-912. A.R.S. §15-913.01 also requires the District to provide special education services to individuals between the ages of 18-21 that are identified as having a special learning need.

The activity of the Pima County School Reserve Fund is generally centered on the economy of Pima County, which directly relates to the county's population growth. As of July 1, 2011, the population of Pima County was 989,569, which accounts for 15% of the State of Arizona's estimated population of 6,482,505. This makes Pima County the second most populated county in Arizona and was the 26th most rapidly growing county in the United States from 2009 to 2010. The City of Tucson encompasses approximately 227.615 square miles of Pima County's 9,186 square miles and with its July 2011 population of 525,796 accounted for 53% of the total Pima County population. Tucson is the second largest city in Arizona and is the 33rd largest city in the United States. The ability for both Pima County and the City of Tucson to invest in the general population through sales tax and other forms of revenue directly impacts the revenue available to school districts and charters. These resources are channeled to the State, whereby making them available to school districts and charters for programmatic use. The ability for schools to use these resources for the services provided by the ESA and Accommodation District is reliant on the availability of financial resources.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy The Reserve does not receive property taxes and cannot incur bonded debt. All revenues are from state and federal aid and state and federal grants and reimbursements. Because the revenues received by the Reserve are heavily reliant upon the economic well-being of the state or the federal government, any negative changes to these revenues can lead to potentially negative shifts for the Reserve as well. In the last fiscal year, school districts and charters have generally experienced some stabilization of their funding streams through the enactment of a temporary 1-cent sales tax that prevent the Legislature from reducing funding level to balance state coffers. This also helped alleviate funding cliffs from expiring federal funds that generally helped balance programmatic functions at the district level. The 1-cent sales is set to expire in FY2013, which may require additional legislative action to maintain funding level while ensuring that growing school districts and charters are properly supported.

For the Reserve, the biggest impact of these changes is that school districts and charters that are not growing and still need services must continue to find a way to service their academic achievement and professional development needs. Because the funding for the Reserve's programs are based on the capacity of these entities to cover the costs for these services, the connection to the financial health and stability of these school districts and charters is paramount in the Reserve's financial planning.

Long-Term Financial Planning One of the Reserve's primary functions is to ensure the continued provision of educational services at the Pima Accommodation District. Because the District's funding is tied to the student population in two secure care facilities, this requires review of the juvenile detention policies with law enforcement and the juvenile justice system in Pima County. The Pima Accommodation District will need to "right-size" its operations as it tries to operate within a more confined financial picture that will enable it to meet all the statutory and regulatory mandates for providing educational services to student in a secure care environment.

For the educational service agency (ESA) function of the Reserve, the financial stability is dependent on the financial stability of the school districts, charters, and other entities that are served. The ESA continues to institute a comprehensive fee structure that enables its functions to provide professional caliber and high quality services to help support academic achievement as well as operational efficiencies. The 1-cent sales tax that was temporarily passed by voters to maintain funding stability for public education in Arizona is set to expire in May 2013. With the expiration of approximately \$1 billion in additional revenues earmarked for public education in Arizona, the debate on how to continue the funding levels will be even more important for the Legislature. The Reserve will continue to evaluate the specific programs and services that are provided to school districts, charters, and other entities to realign with the community's demands for specific programs. Ultimately, the Reserve as a whole will continue to strive to maintain a level of stability that ensures financial health while meeting the needs of the education community in Pima County.

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, 2011. This was the nineteenth 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 2011-12 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



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Pima County School Reserve Fund

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards

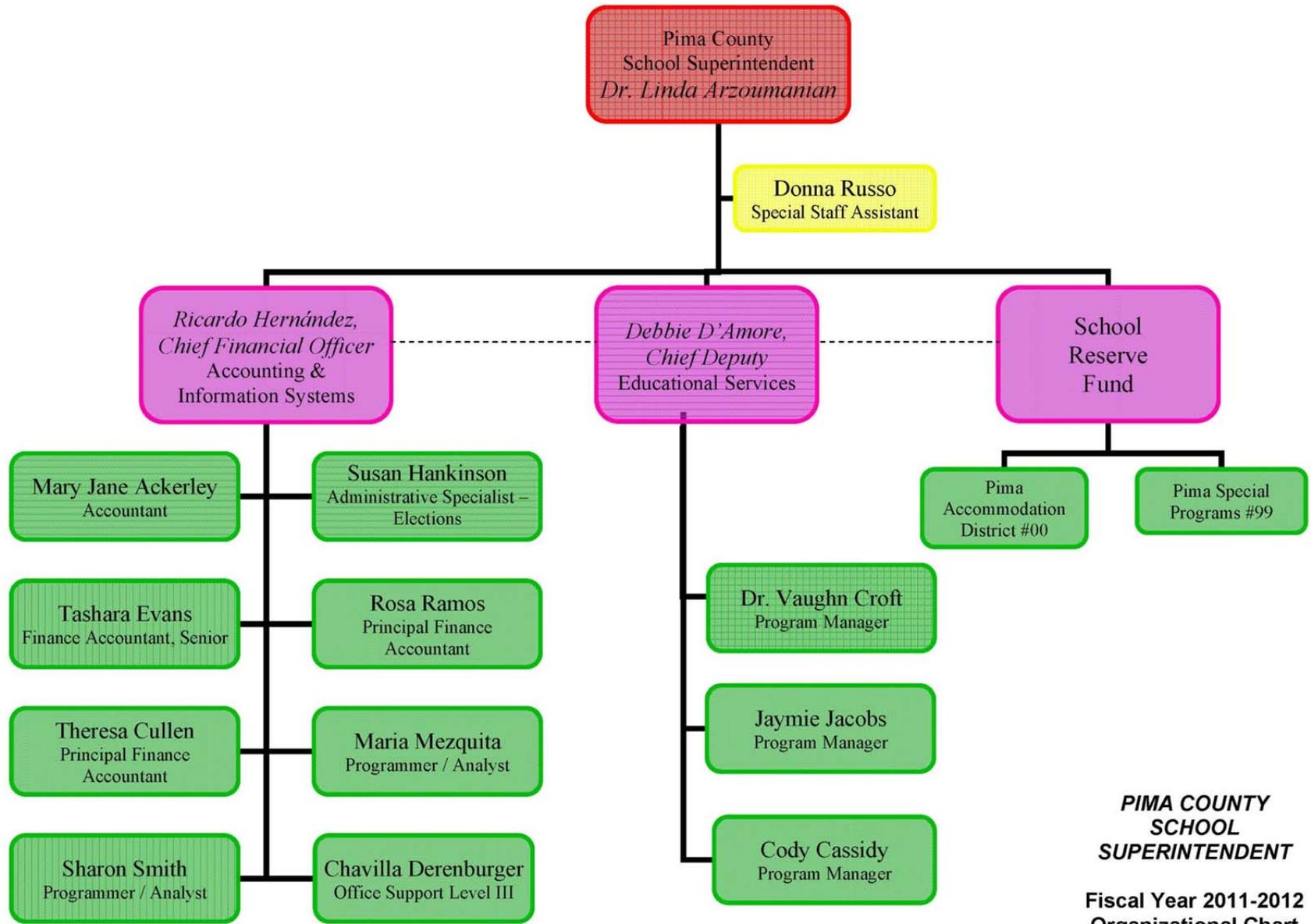


A handwritten signature in black ink, reading "Brian L. Mee".

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director



**PIMA COUNTY
SCHOOL
SUPERINTENDENT**
**Fiscal Year 2011-2012
Organizational Chart**

PIMA COUNTY SCHOOL RESERVE FUND

LIST OF PRINCIPAL OFFICIALS

COUNTY BOARD OF SUPERVISORS

Ann Day, District #1

Ramon Valadez, District #2

Sharon Bronson, District #3

Ray Carroll, District #4

Richard Elias, District #5

ADMINISTRATIVE STAFF

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

Debbie D'Amore, Chief Deputy

Ricardo D. Hernández, Chief Financial Officer

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund (Reserve), a department of Pima County, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Reserve's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pima County School Reserve Fund's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Pima County School Reserve Fund are intended to present the financial position and the respective changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Pima County, Arizona that is attributable to the Pima County School Reserve Fund, a department of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2012, or the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund, a department of Pima County, Arizona as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Reserve implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2012, which represent changes in accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the Pima County School Reserve Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and budgetary comparison information on pages 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 15, 2012

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, 2012**

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, 2012. 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 position of governmental activities decreased \$40,559 which represents a 2 percent decrease from the prior fiscal year.
- General revenues accounted for \$917,090 in revenue, or 24 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2.8 million or 76 percent of total current fiscal year revenues.
- The Reserve had approximately \$3.8 million in expenses related to governmental activities, a decrease of 9 percent from the prior fiscal year primarily due to decreased support costs related to a reduction in staff.
- Among major funds, the General Fund had \$1.0 million in current fiscal year revenues, which primarily consisted of state aid, and \$1.0 million in expenditures. The General Fund's fund balance decreased from \$712,895 at the prior fiscal year end to \$710,471 at the end of the current fiscal year.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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

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

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Reserve's budget process. The Reserve adopts an annual expenditure budget for all governmental funds included in the Pima Accommodation District. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Reserve, assets exceeded liabilities by \$2.3 million at the current fiscal year end.

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

The following table presents a summary of the Reserve's net position for the fiscal years ended June 30, 2012 and June 30, 2011.

	As of <u>June 30, 2012</u>	As of <u>June 30, 2011</u>
Current assets	\$ 2,204,890	\$ 2,250,199
Capital assets, net	<u>319,674</u>	<u>376,262</u>
Total assets, net	<u>2,524,564</u>	<u>2,626,461</u>
Current liabilities	153,055	217,471
Long-term liabilities	<u>62,707</u>	<u>59,629</u>
Total liabilities	<u>215,762</u>	<u>277,100</u>
Net position:		
Net invested in capital assets	319,674	376,262
Restricted	536,242	1,494,466
Unrestricted	<u>1,452,886</u>	<u>478,633</u>
Total net position	<u>\$ 2,308,802</u>	<u>\$ 2,349,361</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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 position. The same situation held true for the prior fiscal year.

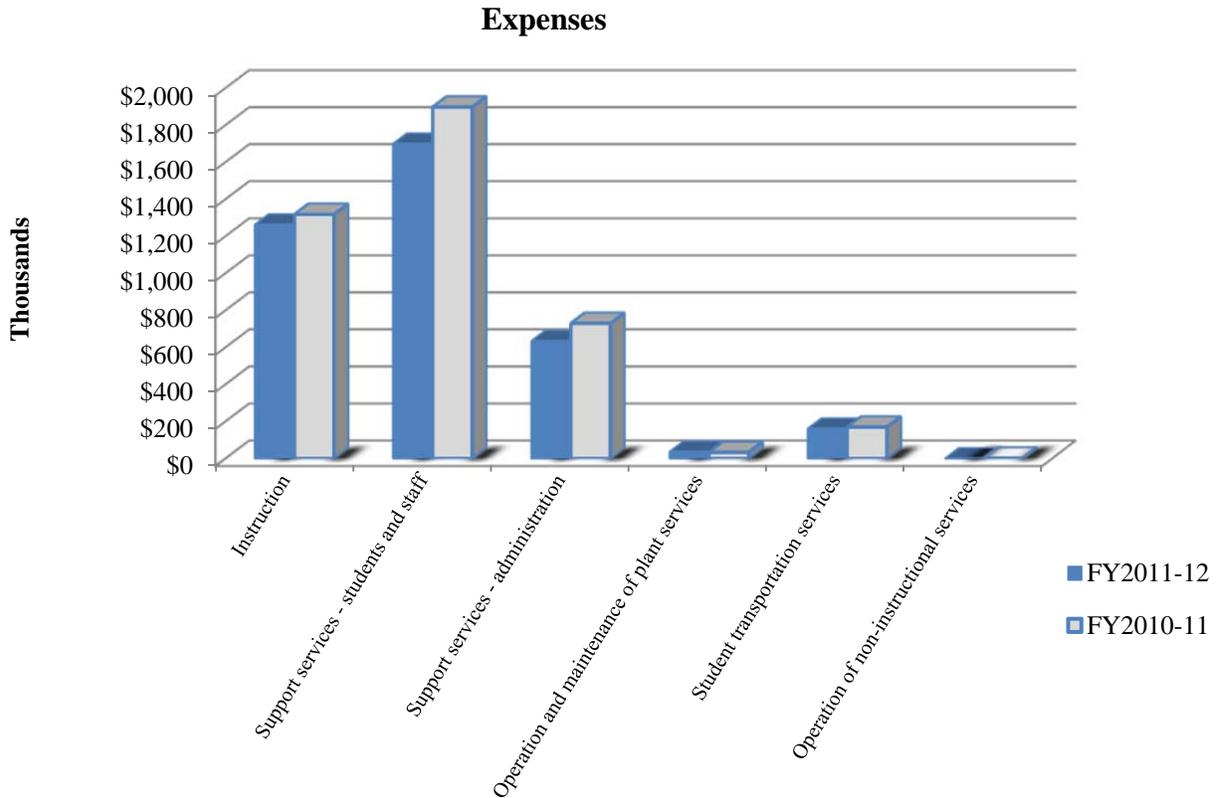
The Reserve's financial position is the product of several financial transactions including the net result of activities and the depreciation of capital assets.

Changes in net position. The Reserve's total revenues for the current fiscal year were \$3.8 million. The total cost of all programs and services was \$3.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2012 and June 30, 2011.

	Fiscal Year Ended <u>June 30, 2012</u>	Fiscal Year Ended <u>June 30, 2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 974,170	\$ 898,495
Operating grants and contributions	1,846,476	2,321,429
Capital grants and contributions	13,217	16,647
General revenues:		
Investment income	11,971	17,235
Unrestricted county aid	59,318	57,272
Unrestricted state aid	837,912	964,961
Unrestricted federal aid	7,889	19,871
Total revenues	<u>3,750,953</u>	<u>4,295,910</u>
Expenses:		
Instruction	1,262,553	1,317,272
Support services – students and staff	1,699,286	1,896,939
Support services – administration	633,645	728,883
Operation and maintenance of plant services	35,467	32,132
Student transportation services	160,424	168,535
Operation of non-instructional services	137	951
Total expenses	<u>3,791,512</u>	<u>4,144,712</u>
Change in net position	<u>\$ (40,559)</u>	<u>\$ 151,198</u>
Net position, beginning	<u>2,349,361</u>	<u>2,198,163</u>
Net position, ending	<u>\$ 2,308,802</u>	<u>\$ 2,349,361</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)



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

- The decrease of \$474,953 in operating grants and contributions was due primarily to decreased federal funding for professional development and technology programs
- The decrease of \$197,653 in support services – students and staff is due primarily to decreased support costs related to a reduction in staff.

The following table presents the cost of the Reserve’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State by each of these functions.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

	<u>Year Ended June 30, 2012</u>		<u>Year Ended June 30, 2011</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$1,262,553	\$ (687,329)	\$ 1,317,272	\$ (435,270)
Support services – students and staff	1,699,286	49,565	1,896,939	5,419
Support services – administration	633,645	(123,857)	728,883	(276,672)
Operation and maintenance of plant services	35,467	(35,467)	32,132	(32,132)
Student transportation services	160,424	(160,424)	168,535	(168,535)
Operation of non-instructional services	137	(137)	951	(951)
Total	<u>\$3,791,512</u>	<u>\$ (957,649)</u>	<u>\$ 4,144,712</u>	<u>\$ (908,141)</u>

- The cost of all governmental activities this year was \$3.8 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$2.8 million.
- Net cost of governmental activities of \$957,649 was financed by general revenues, which are made up primarily of state aid of \$837,912.

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, unassigned 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 \$2.1 million, an increase of \$19,107.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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

The fund balance decreased \$2,424 in the General Fund to \$710,471 as of fiscal year end. General Fund revenues and expenditures decreased slightly from the prior fiscal year.

The Professional Development and Technology Grants Fund revenues decreased \$260,019 from the prior fiscal year due to decreased federal grant funding.

The Other Federal Projects Fund revenues decreased \$24,256. The Fee for Service Fund revenues increased \$36,076.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Reserve revised the General Fund annual expenditure budget due to changes in student attendance and staffing reductions. The difference between the original budget and the final amended budget was a \$12,883 decrease, or one 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 \$51,195 in state aid and grants was a result of more than anticipated revenues related to transportation and special education.
- The favorable variance of \$46,063 in instruction was a result of unanticipated decreases in student attendance.
- The favorable variance of \$70,602 in student transportation was a result of budgeting for expected increases in transportation costs.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the Reserve had invested \$900,347 in capital assets, including land improvements, buildings, buses and other vehicles, computers, and other equipment. Total depreciation expense for the current fiscal year was \$56,588. The net capital asset balance was \$319,674 at June 30, 2012, and \$376,262 at June 30, 2011. The Reserve has no non-depreciable capital assets. Additional information on the Reserve's capital assets can be found in Note 6.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the Reserve's administration during the process of developing the fiscal year 2012-13 budget. Among them:

- Available fiscal year 2011-12 budget balance carry forward.
- Student population in the Jail and Detention Center.
- Employee salaries.

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

These indicators were considered when adopting the budget for fiscal year 2012-13. Budgeted expenditures in the General Fund decreased 17 percent to \$788,587 in fiscal year 2012-13. The primary reason for the decrease is an anticipated decrease in student attendance at the Detention Center due to judiciary policy changes.

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, 200 North Stone Avenue, Tucson, Arizona 85701.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF NET POSITION
JUNE 30, 2012

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,650,707
Accounts receivable	60,733
Due from governmental entities	493,450
Total current assets	2,204,890
Noncurrent assets:	
Land improvements	36,466
Buildings and improvements	151,880
Vehicles, furniture and equipment	712,001
Accumulated depreciation	(580,673)
Total noncurrent assets	319,674
Total assets	2,524,564
 LIABILITIES	
Current liabilities:	
Accounts payable	125,106
Compensated absences payable	31,416
Unearned revenues	27,949
Total current liabilities	184,471
Noncurrent liabilities:	
Non-current portion of long-term obligations	31,291
Total noncurrent liabilities	31,291
Total liabilities	215,762
 NET POSITION	
Net invested in capital assets	319,674
Restricted for:	
Federal and state projects	48,074
Other local initiatives	340,335
Capital outlay	147,833
Unrestricted	1,452,886
Total net position	\$ 2,308,802

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

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	\$ 1,262,553	\$ 44,994	\$ 517,013	\$ 13,217	\$ (687,329)
Support services - students and staff	1,699,286	677,895	1,070,956		49,565
Support services - administration	633,645	251,281	258,507		(123,857)
Operation and maintenance of plant services	35,467				(35,467)
Student transportation services	160,424				(160,424)
Operation of non-instructional services	137				(137)
Total governmental activities	<u>\$ 3,791,512</u>	<u>\$ 974,170</u>	<u>\$ 1,846,476</u>	<u>\$ 13,217</u>	<u>(957,649)</u>
General revenues:					
					11,971
					59,318
					837,912
					7,889
					<u>917,090</u>
					(40,559)
					<u>2,349,361</u>
					<u>\$ 2,308,802</u>

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FUND FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Professional Development and Technology Grants	Special Education Grants
<u>ASSETS</u>			
Cash and investments	\$ 317,830	\$ 2,669	\$ 7,080
Accounts receivable			
Due from governmental entities	304,461	20,805	35,873
Due from other funds	120,237		
Total assets	\$ 742,528	\$ 23,474	\$ 42,953
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 32,057	\$ 23,474	\$ 42,953
Due to other funds			
Deferred revenues			
Total liabilities	32,057	23,474	42,953
Fund balances:			
Restricted			
Committed			
Assigned	1,149		
Unassigned	709,322		
Total fund balances	710,471		
 Total liabilities and fund balances	 \$ 742,528	 \$ 23,474	 \$ 42,953

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

<u>Other Federal Projects</u>	<u>Fee For Service</u>	<u>School Plant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 375,041 60,733	\$ 414,825	\$ 533,262	\$ 1,650,707 60,733
125,204			7,107	493,450 120,237
<u>\$ 125,204</u>	<u>\$ 435,774</u>	<u>\$ 414,825</u>	<u>\$ 540,369</u>	<u>\$ 2,325,127</u>
\$ 4,967 120,237	\$ 21,655	\$	\$	\$ 125,106 120,237
<u>125,204</u>	<u>21,655</u>	<u></u>	<u>27,949</u> <u>27,949</u>	<u>27,949</u> <u>273,292</u>
	414,119		508,293	508,293
		414,825	4,127	414,119 420,101
<u></u>	<u>414,119</u>	<u>414,825</u>	<u>512,420</u>	<u>709,322</u> <u>2,051,835</u>
<u>\$ 125,204</u>	<u>\$ 435,774</u>	<u>\$ 414,825</u>	<u>\$ 540,369</u>	<u>\$ 2,325,127</u>

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**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2012**

Total governmental fund balances **\$ 2,051,835**

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

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

Governmental capital assets	\$ 900,347	
Less accumulated depreciation	<u>(580,673)</u>	319,674

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(62,707)</u>
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Net position of governmental activities **\$ 2,308,802**

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	General	Professional Development and Technology Grants	Special Education Grants
Revenues:			
Other local	\$ 334,536	\$	\$
State aid and grants	707,642		
Federal aid, grants and reimbursements		1,177,710	88,316
Total revenues	1,042,178	1,177,710	88,316
Expenditures:			
Current -			
Instruction	481,895	541,251	60,434
Support services - students and staff	145,145	434,755	27,022
Support services - administration	276,563	197,406	461
Operation and maintenance of plant services	24,691	436	
Student transportation services	120,893		
Capital outlay			
Total expenditures	1,049,187	1,173,848	87,917
Excess (deficiency) of revenues over expenditures	(7,009)	3,862	399
Other financing sources (uses):			
Transfer in	8,931		
Transfer out		(3,862)	(399)
Total other financing sources (uses):	8,931	(3,862)	(399)
Changes in fund balances	1,922		
Fund balances, beginning of year	712,895		
Increase (decrease) in reserve for prepaid items	(4,346)		
Fund balances, end of year	\$ 710,471	\$	\$

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

<u>Other Federal Projects</u>	<u>Fee For Service</u>	<u>School Plant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 679,693	\$ 2,375	\$ 42,072	\$ 1,058,676
			134,087	841,729
452,366			132,156	1,850,548
<u>452,366</u>	<u>679,693</u>	<u>2,375</u>	<u>308,315</u>	<u>3,750,953</u>
28,067		29,434	112,492	1,253,573
383,910	535,592		141,735	1,668,159
38,274	12,077		104,489	629,270
	871		436	26,434
	6,609		216	120,893
<u>450,251</u>	<u>555,149</u>	<u>29,434</u>	<u>359,368</u>	<u>3,705,154</u>
<u>2,115</u>	<u>124,544</u>	<u>(27,059)</u>	<u>(51,053)</u>	<u>45,799</u>
			12,148	21,079
<u>(14,263)</u>			<u>(2,555)</u>	<u>(21,079)</u>
<u>(14,263)</u>			<u>9,593</u>	
<u>(12,148)</u>	<u>124,544</u>	<u>(27,059)</u>	<u>(41,460)</u>	<u>45,799</u>
12,148	304,575	441,884	561,226	2,032,728
	(15,000)		(7,346)	(26,692)
<u>\$</u>	<u>\$ 414,119</u>	<u>\$ 414,825</u>	<u>\$ 512,420</u>	<u>\$ 2,051,835</u>

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**PIMA COUNTY SCHOOL RESERVE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net changes in fund balances - total governmental funds **\$ 19,107**

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

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

Expenditures for capitalized assets	\$	
Less current year depreciation		(56,588)
		(56,588)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(3,078)

Change in net position of governmental activities **\$ (40,559)**

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2012**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 21,870
Total assets	<u><u>\$ 21,870</u></u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 21,870
Total liabilities	<u><u>\$ 21,870</u></u>

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

During the year ended June 30, 2012, the Reserve adopted early implementation the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units.

During the year ended June 30, 2012, the Reserve adopted early implementation the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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 Position 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 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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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.

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

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

General Fund – The General Fund accounts for all resources used to finance Reserve maintenance and operation except those required to be accounted for in other funds. The General Fund includes the Reserve's Maintenance and Operation Fund as well as the Medicaid Reimbursement, Administrative Costs, Unemployment Insurance and Soft Capital Allocation Funds. These funds are maintained as separate funds for accounting and budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Special Education Grants Fund – The Special Education Grants Fund accounts for supplemental financial assistance received to provide a free, appropriate public education to disabled children.

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

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

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

Additionally, the Reserve reports the following fund type:

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

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

D. Cash and Investments

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

E. Investment Income

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

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

I. Interfund Activity

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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.

J. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Supervisors. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

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

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

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

	General Fund	Fee for Service Fund	School Plant Fund	Non-Major Governmental Funds
Fund Balances:				
Restricted:				
Capital projects	\$	\$	\$	\$ 147,833
Statutory mandates				103,545
Auxiliary operations				14,468
Other purposes				242,447
Committed:				
Other purposes		414,119		
Assigned:				
Capital projects			414,825	
Other purposes	1,149			4,127
Unassigned				
Total fund balances	\$ 710,471	\$ 414,119	\$ 414,825	\$ 512,420

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS

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

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

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

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	332 days	<u>\$1,672,577</u>
Total		<u>\$1,672,577</u>

Interest Rate Risk. The Reserve does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – RECEIVABLES

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

	<u>General Fund</u>	<u>Professional Development and Technology Grants Fund</u>	<u>Special Education Grants Fund</u>	<u>Other Federal Projects Fund</u>	<u>Non-Major Governmental Funds</u>
Due from other governmental entities:					
Due from Federal government	\$	\$ 20,805	\$ 35,873	\$ 125,204	\$
Due from State government	226,401				7,107
Due from school districts	78,060				
Net due from governmental entities	<u>\$ 304,461</u>	<u>\$ 20,805</u>	<u>\$ 35,873</u>	<u>\$ 125,204</u>	<u>\$ 7,107</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the unearned component of deferred revenue reported in the governmental funds was \$27,949 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, 2012**

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2012 follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 36,466	\$	\$	\$ 36,466
Buildings and improvements	151,880			151,880
Vehicles, furniture and equipment	712,001			712,001
Total capital assets being depreciated	<u>900,347</u>			<u>900,347</u>
Less accumulated depreciation for:				
Land improvements	(25,440)	(1,818)		(27,258)
Buildings and improvements	(111,304)	(2,574)		(113,878)
Vehicles, furniture and equipment	(387,341)	(52,196)		(439,537)
Total accumulated depreciation	<u>(524,085)</u>	<u>(56,588)</u>		<u>(580,673)</u>
Total capital assets, being depreciated, net	<u>376,262</u>	<u>(56,588)</u>		<u>319,674</u>
Governmental activities capital assets, net	<u>\$ 376,262</u>	<u>\$ (56,588)</u>	<u>\$</u>	<u>\$ 319,674</u>

Depreciation expense was charged to governmental functions as follows.

Instruction	\$ 4,680
Support services – students and staff	6,256
Support services - administration	6,735
Student transportation services	<u>38,917</u>
Total depreciation expense – governmental activities	<u>\$56,588</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – OBLIGATIONS UNDER OPERATING LEASES

The Reserve leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$25,889 for the current fiscal year. The copiers operating leases have a cancellable lease terms through September 2013. The future minimum rental payments required under the operating leases at year end were as follows.

Year Ending June 30:		
	2013	\$ 23,760
	2014	5,940
	Total minimum payments required	<u>\$ 29,700</u>

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end interfund balances were as follows.

Due to/from other funds – At year end, negative cash remained in the Other Federal Projects Fund of \$120,237. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. Interfund balances are expected to be paid within one year.

Interfund transfers:

	General Fund	Transfers in Non-Major Governmental Funds	Total
<u>Transfers out</u>			
Professional Development and Technology Grants Fund	\$ 3,862	\$	\$ 3,862
Special Education Grants Fund	399		399
Other Federal Projects Fund	2,115	12,148	14,263
Non-Major Governmental Funds	<u>2,555</u>		<u>2,555</u>
Total	<u>\$ 8,931</u>	<u>\$ 12,148</u>	<u>\$ 21,079</u>

Transfers between funds were used to (1) to move funds restricted for indirect costs, (2) to move cash balances remaining in discontinued funds to the General Fund, and (3) to move cash balances to separate funds in accordance with state requirements for fund reporting.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences payable	\$ 59,629	\$ 34,691	\$ 31,613	\$ 62,707	\$ 31,416
Governmental activity long-term liabilities	<u>\$ 59,629</u>	<u>\$ 34,691</u>	<u>\$ 31,613</u>	<u>\$ 62,707</u>	<u>\$ 31,416</u>

NOTE 10 – CONTINGENT LIABILITIES

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

NOTE 11 – RISK MANAGEMENT

The Reserve is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Reserve was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the Reserve joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The Reserve pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 – RISK MANAGEMENT (Concl'd)

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

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the Reserve's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 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 10.74 percent (9.87 percent for retirement and 0.63 percent for health insurance premiums, and 0.24 percent for long-term disability) of the members' annual covered payroll.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2012	\$ 133,153	\$ 8,499	\$ 3,238
2011	150,972	9,886	4,189
2010	162,909	12,892	7,813

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

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$ 67,272	\$ 67,272	\$ 65,510	\$ (1,762)
State aid and grants	653,207	653,207	704,402	51,195
Total revenues	<u>720,479</u>	<u>720,479</u>	<u>769,912</u>	<u>49,433</u>
Expenditures:				
Current -				
Instruction	498,835	524,870	478,807	46,063
Support services - students and staff	8,000	1,000	9,698	(8,698)
Support services - administration	217,865	199,947	215,141	(15,194)
Operation and maintenance of plant services	22,000	8,000	4,163	3,837
Student transportation services	191,495	191,495	120,893	70,602
Total expenditures	<u>938,195</u>	<u>925,312</u>	<u>828,702</u>	<u>96,610</u>
Excess (deficiency) of revenues over expenditures	<u>(217,716)</u>	<u>(204,833)</u>	<u>(58,790)</u>	<u>146,043</u>
Other financing sources (uses):				
Transfer in			2,000	2,000
Total other financing sources (uses):			<u>2,000</u>	<u>2,000</u>
Changes in fund balances	<u>(217,716)</u>	<u>(204,833)</u>	<u>(56,790)</u>	<u>148,043</u>
Fund balances, beginning of year			67,933	67,933
Fund balances (deficits), end of year	<u>\$ (217,716)</u>	<u>\$ (204,833)</u>	<u>\$ 11,143</u>	<u>\$ 215,976</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PROFESSIONAL DEVELOPMENT AND TECHNOLOGY GRANTS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 1,177,710	\$ 1,177,710
Total revenues			<u>1,177,710</u>	<u>1,177,710</u>
Expenditures:				
Current -				
Instruction	593,554	582,967	541,251	41,716
Support services - students and staff	311,927	311,927	434,755	(122,828)
Support services - administration	183,760	183,760	197,406	(13,646)
Operation and maintenance of plant services			436	(436)
Total expenditures	<u>1,089,241</u>	<u>1,078,654</u>	<u>1,173,848</u>	<u>(95,194)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,089,241)</u>	<u>(1,078,654)</u>	<u>3,862</u>	<u>1,082,516</u>
Other financing sources (uses):				
Transfer out			(3,862)	(3,862)
Total other financing sources (uses):			<u>(3,862)</u>	<u>(3,862)</u>
Changes in fund balances	<u>(1,089,241)</u>	<u>(1,078,654)</u>		<u>1,078,654</u>
Fund balances, beginning of year				
Fund balances (deficits), end of year	<u>\$ (1,089,241)</u>	<u>\$ (1,078,654)</u>	<u>\$</u>	<u>\$ 1,078,654</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL EDUCATION GRANTS
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 88,316	\$ 88,316
Total revenues			<u>88,316</u>	<u>88,316</u>
Expenditures:				
Current -				
Instruction	54,491	146,667	60,434	86,233
Support services - students and staff	26,111	70,280	27,022	43,258
Support services - administration	398	1,068	461	607
Total expenditures	<u>81,000</u>	<u>218,015</u>	<u>87,917</u>	<u>130,098</u>
Excess (deficiency) of revenues over expenditures	<u>(81,000)</u>	<u>(218,015)</u>	<u>399</u>	<u>218,414</u>
Other financing sources (uses):				
Transfer out			(399)	(399)
Total other financing sources (uses):			<u>(399)</u>	<u>(399)</u>
Changes in fund balances	<u>(81,000)</u>	<u>(218,015)</u>		<u>218,015</u>
Fund balances, beginning of year				
Fund balances (deficits), end of year	<u>\$ (81,000)</u>	<u>\$ (218,015)</u>	<u>\$</u>	<u>\$ 218,015</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 452,366	\$ 452,366
Total revenues			<u>452,366</u>	<u>452,366</u>
Expenditures:				
Current -				
Instruction	42,000	47,913	28,067	19,846
Support services - students and staff	508,793	508,793	383,910	124,883
Support services - administration	2,672	2,672	38,274	(35,602)
Total expenditures	<u>553,465</u>	<u>559,378</u>	<u>450,251</u>	<u>109,127</u>
Excess (deficiency) of revenues over expenditures	<u>(553,465)</u>	<u>(559,378)</u>	<u>2,115</u>	<u>561,493</u>
Other financing sources (uses):				
Transfer out			(14,263)	(14,263)
Total other financing sources (uses):			<u>(14,263)</u>	<u>(14,263)</u>
Changes in fund balances	<u>(553,465)</u>	<u>(559,378)</u>	<u>(12,148)</u>	<u>547,230</u>
Fund balances, beginning of year			12,148	12,148
Fund balances (deficits), end of year	<u>\$ (553,465)</u>	<u>\$ (559,378)</u>	<u>\$</u>	<u>\$ 559,378</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FEE FOR SERVICE
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Other local	\$	\$ 679,693	\$ 679,693
Total revenues		<u>679,693</u>	<u>679,693</u>
Expenditures:			
Current -			
Support services - students and staff		535,592	(535,592)
Support services - administration		12,077	(12,077)
Operation and maintenance of plant services		871	(871)
Capital outlay		6,609	(6,609)
Total expenditures		<u>555,149</u>	<u>(555,149)</u>
Changes in fund balances		<u>124,544</u>	<u>124,544</u>
Fund balances, beginning of year		304,575	304,575
Increase (decrease) in reserve for prepaid items		(15,000)	(15,000)
Fund balances, end of year	<u>\$</u>	<u>\$ 414,119</u>	<u>\$ 414,119</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the District is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception. A portion of the General Fund activity is budgeted for separately as special revenue and capital projects funds. Consequently, the following adjustments were necessary to present actual expenditures, fund balance at July 1, 2011, and fund balance at June 30, 2012 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, June 30, 2012</u>	<u>Fund Balance, July 1, 2011</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 1,049,187	\$ 710,471	\$ 712,895
Fiscal year 2011-12 activity budgeted as special revenue and capital projects funds	<u>(220,485)</u>	<u>(699,328)</u>	<u>(644,962)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 828,702</u>	<u>\$ 11,143</u>	<u>\$ 67,933</u>

NOTE 2 – EXCESS EXPENDITURES OVER BUDGET

At year end, the Professional Development and Technology Grants Fund and the Fee for Service Fund had excess expenditures over budget of \$95,194 and \$555,149, respectively; however, these do not constitute violations of any legal provisions.

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

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GOVERNMENTAL FUNDS

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Fund</u>
<u>ASSETS</u>			
Cash and investments	\$ 381,302	\$ 151,960	\$ 533,262
Due from governmental entities	7,107		7,107
Total assets	<u><u>\$ 388,409</u></u>	<u><u>\$ 151,960</u></u>	<u><u>\$ 540,369</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenues	\$ 27,949	\$	\$ 27,949
Total liabilities	<u><u>27,949</u></u>	<u><u></u></u>	<u><u>27,949</u></u>
Fund balances:			
Restricted	360,460	147,833	508,293
Assigned		4,127	4,127
Total fund balances	<u><u>360,460</u></u>	<u><u>151,960</u></u>	<u><u>512,420</u></u>
 Total liabilities and fund balances	 <u><u>\$ 388,409</u></u>	 <u><u>\$ 151,960</u></u>	 <u><u>\$ 540,369</u></u>

**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, 2012**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 40,867	\$ 1,205	\$ 42,072
State aid and grants	134,087		134,087
Federal aid, grants and reimbursements	132,156		132,156
Total revenues	307,110	1,205	308,315
Expenditures:			
Current -			
Instruction	112,492		112,492
Support services - students and staff	141,735		141,735
Support services - administration	96,927	7,562	104,489
Operation and maintenance of plant services	436		436
Capital outlay		216	216
Total expenditures	351,590	7,778	359,368
Excess (deficiency) of revenues over expenditures	(44,480)	(6,573)	(51,053)
Other financing sources (uses):			
Transfer in	12,148		12,148
Transfer out	(2,555)		(2,555)
Total other financing sources (uses):	9,593		9,593
Changes in fund balances	(34,887)	(6,573)	(41,460)
Fund balances, beginning of year	402,693	158,533	561,226
Increase (decrease) in reserve for prepaid items	(7,346)		(7,346)
Fund balances, end of year	\$ 360,460	\$ 151,960	\$ 512,420

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Taylor Grazing - to account for financial assistance received for the purpose of protecting public lands by preventing over-grazing and soil deterioration and to provide for orderly use, improvement and development, and stabilization of the livestock industry.

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

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

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

Small Schools – to account 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.

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

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

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

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

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, 2012**

	Classroom Site	Instructional Improvement	Title I Grants
<u>ASSETS</u>			
Cash and investments	\$ 45,774	\$ 50,664	\$ 20,628
Due from governmental entities	5,399	1,708	
Total assets	\$ 51,173	\$ 52,372	\$ 20,628
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenues	\$ _____	\$ _____	\$ 20,628
Total liabilities	_____	_____	20,628
Fund balances:			
Restricted	51,173	52,372	
Total fund balances	51,173	52,372	
 Total liabilities and fund balances	\$ 51,173	\$ 52,372	\$ 20,628

<u>Limited English & Immigrant Students</u>	<u>Taylor Grazing Fees</u>	<u>Other State Projects</u>	<u>Extracurricular Activities Fees Tax Credit</u>	<u>Gifts and Donations</u>	<u>Small Schools</u>
\$ 5,385	\$ 20,125	\$ 1,936	\$ 14,468	\$ 2,357	\$ 175,952
<u>\$ 5,385</u>	<u>\$ 20,125</u>	<u>\$ 1,936</u>	<u>\$ 14,468</u>	<u>\$ 2,357</u>	<u>\$ 175,952</u>
<u>\$ 5,385</u>	<u>\$</u>	<u>\$ 1,936</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>5,385</u>	<u></u>	<u>1,936</u>	<u></u>	<u></u>	<u></u>
<u></u>	<u>20,125</u>	<u></u>	<u>14,468</u>	<u>2,357</u>	<u>175,952</u>
<u></u>	<u>20,125</u>	<u></u>	<u>14,468</u>	<u>2,357</u>	<u>175,952</u>
<u>\$ 5,385</u>	<u>\$ 20,125</u>	<u>\$ 1,936</u>	<u>\$ 14,468</u>	<u>\$ 2,357</u>	<u>\$ 175,952</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012**

	Fingerprint	Insurance Proceeds	Litigation Recovery
<u>ASSETS</u>			
Cash and investments	\$ 124	\$ 6,804	\$ 11,756
Due from governmental entities			
Total assets	\$ 124	\$ 6,804	\$ 11,756
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenues	\$ _____	\$ _____	\$ _____
Total liabilities	_____	_____	_____
Fund balances:			
Restricted	124	6,804	11,756
Total fund balances	124	6,804	11,756
 Total liabilities and fund balances	\$ 124	\$ 6,804	\$ 11,756

<u>Teacherage</u>	<u>Totals</u>
\$ 25,329	\$ 381,302
	7,107
<u>\$ 25,329</u>	<u>\$ 388,409</u>

<u>\$</u>	<u>\$ 27,949</u>
	27,949

<u>25,329</u>	<u>360,460</u>
<u>25,329</u>	<u>360,460</u>
<u>\$ 25,329</u>	<u>\$ 388,409</u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2012**

	Classroom Site	Instructional Improvement	Title I Grants
Revenues:			
Other local	\$ 440	\$ 279	\$
State aid and grants	33,053	3,917	
Federal aid, grants and reimbursements			96,466
Total revenues	33,493	4,196	96,466
Expenditures:			
Current -			
Instruction	32,649		71,071
Support services - students and staff			24,831
Support services - administration			564
Operation and maintenance of plant services			
Total expenditures	32,649		96,466
Excess (deficiency) of revenues over expenditures	844	4,196	
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	844	4,196	
Fund balances, beginning of year	50,329	48,176	
Increase (decrease) in reserve for prepaid items			
Fund balances, end of year	\$ 51,173	\$ 52,372	\$

Limited English & Immigrant Students	Vocational Education	Taylor Grazing Fees	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$	\$ 88	\$	\$ 81	\$ 38,483
27,801		7,889	3,817		
<u>27,801</u>		<u>7,977</u>	<u>3,817</u>	<u>81</u>	<u>38,483</u>
8,414					358
19,216			3,599		38,513
			218		
<u>27,630</u>			<u>3,817</u>		<u>38,871</u>
171		7,977		81	(388)
		12,148			
(171)					
<u>(171)</u>		<u>12,148</u>			
		20,125		81	(388)
	3,000			14,387	2,745
	(3,000)				
<u>\$</u>	<u>\$</u>	<u>\$ 20,125</u>	<u>\$</u>	<u>\$ 14,468</u>	<u>\$ 2,357</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2012**

	Small Schools	Fingerprint	Insurance Proceeds
Revenues:			
Other local	\$ 1,280	\$	\$ 39
State aid and grants	93,300		
Federal aid, grants and reimbursements			
Total revenues	94,580		39
Expenditures:			
Current -			
Instruction			
Support services - students and staff	55,576		
Support services - administration	96,363		
Operation and maintenance of plant services	218		
Total expenditures	152,157		
Excess (deficiency) of revenues over expenditures	(57,577)		39
Other financing sources (uses):			
Transfer in			
Transfer out	(2,000)		
Total other financing sources (uses):	(2,000)		
Changes in fund balances	(59,577)		39
Fund balances, beginning of year	239,875	124	6,765
Increase (decrease) in reserve for prepaid items	(4,346)		
Fund balances, end of year	\$ 175,952	\$ 124	\$ 6,804

<u>Litigation Recovery</u>	<u>Teacherage</u>	<u>United Way Early Childhood</u>	<u>Totals</u>
\$ 77	\$ 100	\$	\$ 40,867
			134,087
			132,156
<u>77</u>	<u>100</u>		<u>307,110</u>
			112,492
			141,735
			96,927
			436
			<u>351,590</u>
<u>77</u>	<u>100</u>		<u>(44,480)</u>
			12,148
		<u>(384)</u>	<u>(2,555)</u>
		<u>(384)</u>	<u>9,593</u>
<u>77</u>	<u>100</u>	<u>(384)</u>	<u>(34,887)</u>
11,679	25,229	384	402,693
			(7,346)
<u>\$ 11,756</u>	<u>\$ 25,329</u>	<u>\$</u>	<u>\$ 360,460</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, 2012**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 440	\$ 440
State aid and grants		33,053	33,053
Federal aid, grants and reimbursements			
Total revenues		<u>33,493</u>	<u>33,493</u>
Expenditures:			
Current -			
Instruction	43,658	32,649	11,009
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	<u>43,658</u>	<u>32,649</u>	<u>11,009</u>
Excess (deficiency) of revenues over expenditures	<u>(43,658)</u>	<u>844</u>	<u>44,502</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(43,658)</u>	<u>844</u>	<u>44,502</u>
Fund balances, beginning of year		50,329	50,329
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$ (43,658)</u>	<u>\$ 51,173</u>	<u>\$ 94,831</u>

Instructional Improvement			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 279 3,917	\$ 279 3,917	\$	\$	\$
				96,466	96,466
	<u>4,196</u>	<u>4,196</u>		<u>96,466</u>	<u>96,466</u>
51,000		51,000	92,239	71,071	21,168
				24,831	(24,831)
				564	(564)
<u>51,000</u>		<u>51,000</u>	<u>92,239</u>	<u>96,466</u>	<u>(4,227)</u>
<u>(51,000)</u>	<u>4,196</u>	<u>55,196</u>	<u>(92,239)</u>		<u>92,239</u>
<u>(51,000)</u>	<u>4,196</u>	<u>55,196</u>	<u>(92,239)</u>		<u>92,239</u>
	48,176	48,176			
<u>\$ (51,000)</u>	<u>\$ 52,372</u>	<u>\$ 103,372</u>	<u>\$ (92,239)</u>	<u>\$</u>	<u>\$ 92,239</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, 2012**

	Limited English & Immigrant Students		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		27,801	27,801
Total revenues		27,801	27,801
Expenditures:			
Current -			
Instruction	38,687	8,414	30,273
Support services - students and staff	23,778	19,216	4,562
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	62,465	27,630	34,835
Excess (deficiency) of revenues over expenditures	(62,465)	171	62,636
Other financing sources (uses):			
Transfer in			
Transfer out		(171)	(171)
Total other financing sources (uses):		(171)	(171)
Changes in fund balances	(62,465)		62,465
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$ (62,465)	\$	\$ 62,465

**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, 2012**

	Taylor Grazing Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 88	\$ 88
State aid and grants			
Federal aid, grants and reimbursements		7,889	7,889
Total revenues		7,977	7,977
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures			
Excess (deficiency) of revenues over expenditures		7,977	7,977
Other financing sources (uses):			
Transfer in		12,148	12,148
Transfer out			
Total other financing sources (uses):		12,148	12,148
Changes in fund balances		20,125	20,125
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$	\$ 20,125	\$ 20,125

Other State Projects			Extracurricular Activities Fees Tax Credit		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 3,817	\$ 3,817	\$	\$ 81	\$ 81
	<u>3,817</u>	<u>3,817</u>		<u>81</u>	<u>81</u>
2,720	3,599	(879)			
	218	(218)			
<u>2,720</u>	<u>3,817</u>	<u>(1,097)</u>			
<u>(2,720)</u>		<u>2,720</u>		<u>81</u>	<u>81</u>
<u>(2,720)</u>		<u>2,720</u>		<u>81</u>	<u>81</u>
				14,387	14,387
<u>\$ (2,720)</u>	<u>\$</u>	<u>\$ 2,720</u>	<u>\$</u>	<u>\$ 14,468</u>	<u>\$ 14,468</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, 2012**

	Gifts and Donations		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 38,483	\$ 38,483
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>38,483</u>	<u>38,483</u>
Expenditures:			
Current -			
Instruction		358	(358)
Support services - students and staff		38,513	(38,513)
Support services - administration			
Operation and maintenance of plant services			
Total expenditures		<u>38,871</u>	<u>(38,871)</u>
Excess (deficiency) of revenues over expenditures		<u>(388)</u>	<u>(388)</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		<u>(388)</u>	<u>(388)</u>
Fund balances, beginning of year		2,745	2,745
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 2,357</u>	<u>\$ 2,357</u>

Small Schools			Fingerprint		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 1,280	\$ 1,280	\$	\$	\$
	93,300	93,300			
	<u>94,580</u>	<u>94,580</u>			
	55,576	(55,576)	125		125
	96,363	(96,363)			
	218	(218)			
	<u>152,157</u>	<u>(152,157)</u>	<u>125</u>		<u>125</u>
	<u>(57,577)</u>	<u>(57,577)</u>	<u>(125)</u>		<u>125</u>
	(2,000)	(2,000)			
	<u>(2,000)</u>	<u>(2,000)</u>			
	<u>(59,577)</u>	<u>(59,577)</u>	<u>(125)</u>		<u>125</u>
	239,875	239,875		124	124
	(4,346)	(4,346)			
<u>\$</u>	<u>\$ 175,952</u>	<u>\$ 175,952</u>	<u>\$ (125)</u>	<u>\$ 124</u>	<u>\$ 249</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, 2012**

	Insurance Proceeds		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 39	\$ 39
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	<u> </u>	<u> 39</u>	<u> 39</u>
Expenditures:			
Current -			
Instruction	6,750		6,750
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Total expenditures	<u> 6,750</u>	<u> </u>	<u> 6,750</u>
Excess (deficiency) of revenues over expenditures	<u> (6,750)</u>	<u> 39</u>	<u> 6,789</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):	<u> </u>	<u> </u>	<u> </u>
Changes in fund balances	<u> (6,750)</u>	<u> 39</u>	<u> 6,789</u>
Fund balances, beginning of year		6,765	6,765
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u> \$ (6,750)</u>	<u> \$ 6,804</u>	<u> \$ 13,554</u>

Litigation Recovery			Administrative Costs		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 77	\$ 77	\$	\$ 254,321	\$ 254,321
	<u>77</u>	<u>77</u>		<u>254,321</u>	<u>254,321</u>
715		715	4,900	469	4,431
				129,505	(129,505)
				54,992	(54,992)
				20,528	(20,528)
<u>715</u>		<u>715</u>	<u>4,900</u>	<u>205,494</u>	<u>(200,594)</u>
<u>(715)</u>	<u>77</u>	<u>792</u>	<u>(4,900)</u>	<u>48,827</u>	<u>53,727</u>
				6,931	6,931
				<u>6,931</u>	<u>6,931</u>
<u>(715)</u>	<u>77</u>	<u>792</u>	<u>(4,900)</u>	<u>55,758</u>	<u>60,658</u>
	11,679	11,679		469,230	469,230
				(4,346)	(4,346)
<u>\$ (715)</u>	<u>\$ 11,756</u>	<u>\$ 12,471</u>	<u>\$ (4,900)</u>	<u>\$ 520,642</u>	<u>\$ 525,542</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, 2012**

	Teacherage		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 100	\$ 100
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	<u> </u>	<u> 100</u>	<u> 100</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration	25,189		25,189
Operation and maintenance of plant services			
Total expenditures	<u> 25,189</u>	<u> </u>	<u> 25,189</u>
Excess (deficiency) of revenues over expenditures	<u> (25,189)</u>	<u> 100</u>	<u> 25,289</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):	<u> </u>	<u> </u>	<u> </u>
Changes in fund balances	<u> (25,189)</u>	<u> 100</u>	<u> 25,289</u>
Fund balances, beginning of year		25,229	25,229
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u> \$ (25,189)</u>	<u> \$ 25,329</u>	<u> \$ 50,518</u>

United Way Early Childhood			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 295,188	\$ 295,188
				134,087	134,087
				132,156	132,156
				561,431	561,431
			237,949	112,961	124,988
			26,623	271,240	(244,617)
			25,189	151,919	(126,730)
				20,964	(20,964)
			289,761	557,084	(267,323)
			(289,761)	4,347	294,108
				19,079	19,079
	(384)	(384)		(2,555)	(2,555)
	(384)	(384)		16,524	16,524
	(384)	(384)	(289,761)	20,871	310,632
	384	384		873,072	873,072
				(11,692)	(11,692)
\$	\$	\$	\$ (289,761)	\$ 882,251	\$ 1,172,012

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CAPITAL PROJECTS FUNDS

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

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

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2012**

	Unrestricted Capital Outlay	Building Renewal	Bus Replacement
<u>ASSETS</u>			
Cash and investments	\$ 110,120	\$ 37,713	\$ 4,127
Total assets	\$ 110,120	\$ 37,713	\$ 4,127
<u>LIABILITIES AND FUND BALANCES</u>			
Fund balances:			
Restricted	\$ 110,120	\$ 37,713	\$
Assigned			4,127
Total fund balances	110,120	37,713	4,127
Total liabilities and fund balances	\$ 110,120	\$ 37,713	\$ 4,127

Totals

\$ 151,960
\$ 151,960

\$ 147,833
4,127
151,960
\$ 151,960

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2012**

	Unrestricted Capital Outlay	Building Renewal	Bus Replacement
Revenues:			
Other local	\$ 970	\$ 210	\$ 25
Total revenues	970	210	25
Expenditures:			
Current -			
Support services - administration	7,562		
Capital outlay	216		
Total expenditures	7,778		
Changes in fund balances	(6,808)	210	25
Fund balances, beginning of year	116,928	37,503	4,102
Fund balances, end of year	\$ 110,120	\$ 37,713	\$ 4,127

Totals

\$ 1,205
1,205

7,562
216
7,778

(6,573)

158,533

\$ 151,960

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 ALL CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2012**

	School Plant		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 2,375	\$ 2,375
State aid and grants			
Total revenues	<u> </u>	<u> 2,375</u>	<u> 2,375</u>
Expenditures:			
Current -			
Instruction	414,000	29,434	384,566
Support services - students and staff			
Support services - administration			
Capital outlay			
Total expenditures	<u> 414,000</u>	<u> 29,434</u>	<u> 384,566</u>
Changes in fund balances	<u> (414,000)</u>	<u> (27,059)</u>	<u> 386,941</u>
Fund balances, beginning of year		441,884	441,884
Fund balances (deficits), end of year	<u> \$ (414,000)</u>	<u> \$ 414,825</u>	<u> \$ 828,825</u>

Unrestricted Capital Outlay			Soft Capital Allocation		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 970	\$ 970	\$	\$ 14,705	\$ 14,705
				3,240	3,240
	<u>970</u>	<u>970</u>		<u>17,945</u>	<u>17,945</u>
			4,182	2,619	1,563
			3,526	1,570	1,956
159,378	7,562	151,816	13,137	6,430	6,707
	216	(216)	5,429	4,372	1,057
<u>159,378</u>	<u>7,778</u>	<u>151,600</u>	<u>26,274</u>	<u>14,991</u>	<u>11,283</u>
<u>(159,378)</u>	<u>(6,808)</u>	<u>152,570</u>	<u>(26,274)</u>	<u>2,954</u>	<u>29,228</u>
	116,928	116,928		174,583	174,583
<u>\$ (159,378)</u>	<u>\$ 110,120</u>	<u>\$ 269,498</u>	<u>\$ (26,274)</u>	<u>\$ 177,537</u>	<u>\$ 203,811</u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 ALL CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2012**

	Building Renewal		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 210	\$ 210
State aid and grants			
Total revenues	33,250	210	33,250
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Capital outlay	33,250		33,250
Total expenditures	33,250		33,250
Changes in fund balances	(33,250)	210	33,460
Fund balances, beginning of year		37,503	37,503
Fund balances (deficits), end of year	\$ (33,250)	\$ 37,713	\$ 70,963

Bus Replacement			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 25	\$ 25	\$	\$ 18,285	\$ 18,285
				3,240	3,240
	25	25		21,525	21,525
			418,182	32,053	386,129
			3,526	1,570	1,956
			172,515	13,992	158,523
			38,679	4,588	34,091
			632,902	52,203	580,699
	25	25	(632,902)	(30,678)	602,224
	4,102	4,102		775,000	775,000
\$	\$ 4,127	\$ 4,127	\$ (632,902)	\$ 744,322	\$ 1,377,224

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AGENCY FUNDS

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012**

	<u>Payroll Clearing</u>	<u>Employee Withholding</u>	<u>Cobra Clearing</u>
<u>ASSETS</u>			
Cash and investments	\$ 500	\$ 19,844	\$ 1,526
Total assets	<u>\$ 500</u>	<u>\$ 19,844</u>	<u>\$ 1,526</u>
 <u>LIABILITIES</u>			
Deposits held for others	\$ 500	\$ 19,844	\$ 1,526
Total liabilities	<u>\$ 500</u>	<u>\$ 19,844</u>	<u>\$ 1,526</u>

Totals

\$ 21,870
\$ 21,870

\$ 21,870
\$ 21,870

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ 500	\$ 2,140,982	\$ 2,140,982	\$ 500
Total assets	\$ 500	\$ 2,140,982	\$ 2,140,982	\$ 500
<u>Liabilities</u>				
Deposits held for others	\$ 500	\$ 2,140,982	\$ 2,140,982	\$ 500
Total liabilities	\$ 500	\$ 2,140,982	\$ 2,140,982	\$ 500
<u>EMPLOYEE WITHHOLDING</u>				
<u>Assets</u>				
Cash and investments	\$	\$ 149,699	\$ 129,855	\$ 19,844
Total assets	\$	\$ 149,699	\$ 129,855	\$ 19,844
<u>Liabilities</u>				
Deposits held for others	\$	\$ 149,699	\$ 129,855	\$ 19,844
Total liabilities	\$	\$ 149,699	\$ 129,855	\$ 19,844
<u>COBRA CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$	\$ 6,494	\$ 4,968	\$ 1,526
Total assets	\$	\$ 6,494	\$ 4,968	\$ 1,526
<u>Liabilities</u>				
Deposits held for others	\$	\$ 6,494	\$ 4,968	\$ 1,526
Total liabilities	\$	\$ 6,494	\$ 4,968	\$ 1,526
<u>TOTAL AGENCY</u>				
<u>Assets</u>				
Cash and investments	\$ 500	\$ 2,297,175	\$ 2,275,805	\$ 21,870
Total assets	\$ 500	\$ 2,297,175	\$ 2,275,805	\$ 21,870
<u>Liabilities</u>				
Deposits held for others	\$ 500	\$ 2,297,175	\$ 2,275,805	\$ 21,870
Total liabilities	\$ 500	\$ 2,297,175	\$ 2,275,805	\$ 21,870

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Position:					
Net invested in capital assets	\$ 319,674	\$ 376,262	\$ 424,143	\$ 440,592	\$ 237,050
Restricted	536,242	748,007	301,828	469,682	888,766
Unrestricted	1,452,886	1,225,092	1,472,192	1,544,706	1,496,278
Total net position	\$ 2,308,802	\$ 2,349,361	\$ 2,198,163	\$ 2,454,980	\$ 2,622,094
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Position:					
Net invested in capital assets	\$ 218,823	\$ 765,949	\$ 790,933	\$ 856,797	\$ 830,508
Restricted	912,999	965,277	928,703	904,539	853,581
Unrestricted	1,291,031	347,831	366,230	481,124	621,193
Total net position	\$ 2,422,853	\$ 2,079,057	\$ 2,085,866	\$ 2,242,460	\$ 2,305,282

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

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses					
Instruction	\$ 1,262,553	\$ 1,317,272	\$ 1,650,752	\$ 1,572,024	\$ 1,605,284
Support services - students and staff	1,699,286	1,896,939	2,001,296	1,752,237	1,716,069
Support services - administration	633,645	728,883	635,588	552,864	474,858
Operation and maintenance of plant services	35,467	32,132	38,236	39,444	47,524
Student transportation services	160,424	168,535	58,115	138,358	185,147
Operation of non-instructional services	137	951	3,398	17,844	
Total expenses	3,791,512	4,144,712	4,387,385	4,072,771	4,028,882
Program Revenues					
Charges for services:					
Instruction	44,994	6,991	356		90,939
Support services- students and staff	677,895	642,459	398,283	413,913	460,985
Other activities	251,281	249,045	221,477	106,824	23,557
Operating grants and contributions	1,846,476	2,321,429	2,561,465	2,163,603	2,276,264
Capital grants and contributions	13,217	16,647	14,325	33,206	40,219
Total program revenues	2,833,863	3,236,571	3,195,906	2,717,546	2,891,964
Net (Expense)/Revenue	\$ (957,649)	\$ (908,141)	\$ (1,191,479)	\$ (1,355,225)	\$ (1,136,918)

(Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses					
Instruction	\$ 966,212	\$ 913,986	\$ 1,037,381	\$ 943,735	\$ 927,724
Support services - students and staff	1,338,225	1,209,102	903,616	534,442	656,100
Support services - administration	568,049	584,978	771,535	702,561	687,239
Operation and maintenance of plant services	55,315	46,162	74,112	78,754	67,894
Student transportation services	146,583	177,704	156,394	110,249	135,090
Operation of non-instructional services					
Total expenses	<u>3,074,384</u>	<u>2,931,932</u>	<u>2,943,038</u>	<u>2,369,741</u>	<u>2,474,047</u>
Program Revenues					
Charges for services:					
Instruction	121,037	74,904	50,181	52,723	36,795
Support services- students and staff	357,515	45,518	24,952	6,513	94,242
Other activities	82,026	50,576	75,380	41,184	64,757
Operating grants and contributions	1,256,894	1,416,147	1,098,668	859,544	782,370
Capital grants and contributions	20,624	38,107	139,542	51,682	
Total program revenues	<u>1,838,096</u>	<u>1,625,252</u>	<u>1,388,723</u>	<u>1,011,646</u>	<u>978,164</u>
Net (Expense)/Revenue	<u>\$ (1,236,288)</u>	<u>\$ (1,306,680)</u>	<u>\$ (1,554,315)</u>	<u>\$ (1,358,095)</u>	<u>\$ (1,495,883)</u>

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

Note: 1) In fiscal year 2007, Support services - students and staff increased due to the implementation of new fee for service programs.

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

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net (Expense)/Revenue	\$ (957,649)	\$ (908,141)	\$ (1,191,479)	\$ (1,355,225)	\$ (1,136,918)
General Revenues:					
Investment income	11,971	17,235	30,167	40,458	110,765
Unrestricted county aid	59,318	57,272	48,652		
Unrestricted state aid	837,912	964,961	757,581	1,137,864	1,213,927
Unrestricted federal aid	7,889	19,871	98,262	9,789	11,467
Total general revenues	917,090	1,059,339	934,662	1,188,111	1,336,159
Changes in Net Position	\$ (40,559)	\$ 151,198	\$ (256,817)	\$ (167,114)	\$ 199,241

(Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net (Expense)/Revenue	\$ (1,236,288)	\$ (1,306,680)	\$ (1,554,315)	\$ (1,358,095)	\$ (1,495,883)
General Revenues:					
Investment income	78,618	57,660	27,794	15,870	(39,209)
Unrestricted county aid	587	149,033	162,061	154,456	70,117
Unrestricted state aid	1,161,915	1,093,178	1,207,866	1,124,947	1,321,100
Unrestricted federal aid	10,811				10,436
Special item - gain on sale of land	34,056				
Total general revenues	<u>1,285,987</u>	<u>1,299,871</u>	<u>1,397,721</u>	<u>1,295,273</u>	<u>1,362,444</u>
Changes in Net Position	<u>\$ 49,699</u>	<u>\$ (6,809)</u>	<u>\$ (156,594)</u>	<u>\$ (62,822)</u>	<u>\$ (133,439)</u>

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

- Notes:**
- 1) In fiscal year 2003, investment income includes an investment loss due to a loss suffered in the participation of the Local Government
 - 2) The Arizona State Legislature suspended county equalization payments to school districts for fiscal years 2006-07 through 2008-09.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:					
Nonspendable	\$	\$ 4,346	\$	\$	\$
Restricted			62,129		
Committed					
Assigned	1,149	1,149			
Unassigned	709,322	532,767	54,655		
Reserved					
Unreserved				48,646	42,655
Total General Fund	<u>\$ 710,471</u>	<u>\$ 538,262</u>	<u>\$ 116,784</u>	<u>\$ 48,646</u>	<u>\$ 42,655</u>
All Other Governmental Funds:					
Nonspendable	\$	\$ 22,346	\$	\$	\$
Restricted	508,293	1,178,443	899,428		
Committed	414,119	289,575			
Assigned	418,952	4,102	817,263		
Unassigned					
Reserved				8,660	9,154
Unreserved, reported in:					
Special revenue funds				1,521,354	1,545,880
Capital projects funds				469,682	879,612
Debt service fund					
Total all other governmental funds	<u>\$ 1,341,364</u>	<u>\$ 1,494,466</u>	<u>\$ 1,716,691</u>	<u>\$ 1,999,696</u>	<u>\$ 2,434,646</u>

(Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund:					
Reserved	\$	\$ 8,929	\$	\$	\$
Unreserved	(76,656)	(109,769)	(19,707)	47,904	156,473
Total General Fund	<u>\$ (76,656)</u>	<u>\$ (100,840)</u>	<u>\$ (19,707)</u>	<u>\$ 47,904</u>	<u>\$ 156,473</u>
All Other Governmental Funds:					
Reserved	\$ 9,343	\$ 2,233	\$	\$ 13,222	\$
Unreserved, reported in:					
Special revenue funds	1,383,808	478,234	396,908	415,514	464,720
Capital projects funds	912,999	965,277	928,703	904,539	853,581
Debt service fund					
Total all other governmental funds	<u>\$ 2,306,150</u>	<u>\$ 1,445,744</u>	<u>\$ 1,325,611</u>	<u>\$ 1,333,275</u>	<u>\$ 1,318,301</u>

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

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2010. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Federal sources:					
Federal grants	\$ 1,842,659	\$ 2,277,956	\$ 2,520,278	\$ 2,143,782	\$ 2,282,967
Taylor Grazing	7,889	7,138	7,104	9,789	11,467
State Fiscal Stabilization		7,723	90,733		
Total federal sources	<u>1,850,548</u>	<u>2,292,817</u>	<u>2,618,115</u>	<u>2,153,571</u>	<u>2,294,434</u>
State sources:					
State equalization assistance	588,891	696,348	623,351	873,128	866,898
State grants	96,993	232,214	4,216	97,631	127,887
School Facilities Board					1,164
Other revenues	155,845	40,505	134,230	171,436	251,494
Total state sources	<u>841,729</u>	<u>969,067</u>	<u>761,797</u>	<u>1,142,195</u>	<u>1,247,443</u>
Local sources:					
County aid	59,358	57,273	48,652		
Investment income	11,971	15,015	30,166	40,248	110,765
Other revenues	987,347	961,738	671,838	571,761	575,481
Total local sources	<u>1,058,676</u>	<u>1,034,026</u>	<u>750,656</u>	<u>612,009</u>	<u>686,246</u>
Total revenues	<u>\$ 3,750,953</u>	<u>\$ 4,295,910</u>	<u>\$ 4,130,568</u>	<u>\$ 3,907,775</u>	<u>\$ 4,228,123</u>

(Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Federal sources:					
Federal grants	\$ 1,105,999	\$ 1,237,097	\$ 1,063,877	\$ 732,266	\$ 598,290
Taylor Grazing	10,811	16,897		20,549	10,436
Total federal sources	<u>1,116,810</u>	<u>1,253,994</u>	<u>1,063,877</u>	<u>752,815</u>	<u>608,726</u>
State sources:					
State equalization assistance	828,333	849,831	1,015,249	911,554	1,060,988
State grants	344,295	285,645	174,456	158,401	184,081
School Facilities Board			2,733	16,900	66,360
Other revenues	160,806	164,203	188,004	192,019	193,751
Total state sources	<u>1,333,434</u>	<u>1,299,679</u>	<u>1,380,442</u>	<u>1,278,874</u>	<u>1,505,180</u>
Local sources:					
County aid	587	149,033	162,061	154,456	163,417
Investment income (loss)	86,165	58,031	27,974	15,870	(39,209)
Other revenues	1,062,281	170,627	150,333	100,420	102,494
Total local sources	<u>1,149,033</u>	<u>377,691</u>	<u>340,368</u>	<u>270,746</u>	<u>226,702</u>
Total revenues	<u>\$ 3,599,277</u>	<u>\$ 2,931,364</u>	<u>\$ 2,784,687</u>	<u>\$ 2,302,435</u>	<u>\$ 2,340,608</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. Result, state equalization revenues were increased.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenditures:					
Current -					
Instruction	\$ 1,253,573	\$ 1,281,795	\$ 1,535,126	\$ 1,391,759	\$ 1,546,890
Support services - students and staff	1,668,159	1,903,654	1,945,794	1,716,483	1,656,671
Support services - administration	629,270	717,402	612,201	538,994	458,326
Operation and maintenance of plant services	26,434	38,446	26,388	36,091	44,171
Student transportation services	120,893	125,337	3,910	127,380	117,367
Operation of non-instructional services				17,844	
Capital outlay	6,825	56,715	213,356	507,689	156,702
Total expenditures	<u>\$ 3,705,154</u>	<u>\$ 4,123,349</u>	<u>\$ 4,336,775</u>	<u>\$ 4,336,240</u>	<u>\$ 3,980,127</u>
Expenditures for capitalized assets	\$	\$ 9,150	\$ 43,379	\$ 278,573	\$ 77,411
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

(Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenditures:					
Current -					
Instruction	\$ 849,379	\$ 862,864	\$ 957,543	\$ 875,165	\$ 908,357
Support services - students and staff	1,293,356	1,127,304	726,225	526,053	628,704
Support services - administration	529,481	576,251	713,498	635,432	665,133
Operation and maintenance of plant services	42,032	51,739	64,775	78,077	54,816
Student transportation services	106,984	142,569	133,442	81,769	85,873
Operation of non-instructional services					
Capital outlay	185,733	142,799	251,257	212,756	154,694
Total expenditures	<u>\$ 3,006,965</u>	<u>\$ 2,903,526</u>	<u>\$ 2,846,740</u>	<u>\$ 2,409,252</u>	<u>\$ 2,497,577</u>
Expenditures for capitalized assets	\$	\$ 69,824	\$ 5,023	\$ 89,241	\$ 111,486
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

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

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Excess (deficiency) of revenues over expenditures	\$ 45,799	\$ 172,561	\$ (206,207)	\$ (428,465)	\$ 247,996
Other financing sources (uses):					
Transfers in	21,079	9,321	140,011	113,746	24,159
Transfers out	(21,079)	(9,321)	(140,011)	(113,746)	(24,159)
Total other financing sources (uses)	-----	-----	-----	-----	-----
Changes in fund balances	\$ 45,799	\$ 172,561	\$ (206,207)	\$ (428,465)	\$ 247,996
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Excess (deficiency) of revenues over expenditures	\$ 592,312	\$ 27,838	\$ (62,053)	\$ (106,817)	\$ (156,969)
Other financing sources (uses):					
Transfers in	12,351	14,563	10,820		61,431
Transfers out	(12,351)	(14,563)	(10,820)		(61,431)
Total other financing sources (uses)	-----	-----	-----	-----	-----
Changes in fund balances	\$ 592,312	\$ 27,838	\$ (62,053)	\$ (106,817)	\$ (156,969)

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

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

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Valuation	Total Direct Rate	Estimated Actual Value	Ratio of Net Assessed to Estimated Actual Value
	Residential Property	Commercial Property						
2012	\$ 5,409,816,870	\$ 4,377,213,125	\$ 280,154,470	\$ 1,585,233,670	\$ 8,481,950,795	4.20	\$ 80,205,310,766	10.58 %
2011	6,074,513,361	3,315,923,891	374,217,854	1,477,930,525	8,286,724,581	4.06	86,405,986,557	9.59
2010	6,326,323,696	3,814,580,906	883,734,151	1,184,019,112	9,840,619,641	4.38	88,039,453,661	11.18
2009					9,592,056,434	4.00	85,751,619,734	11.19
2008					8,236,498,616	4.29	72,137,409,692	11.42
2007					6,887,803,879	4.56	59,915,496,229	11.50
2006					6,066,453,592	4.79	52,366,493,761	11.58
2005					5,633,321,019	4.89	48,823,551,330	11.54
2004					5,221,270,997	4.89	44,455,033,701	11.75
2003					4,837,084,048	4.89	41,095,365,469	11.77

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

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2011	986,081	\$ 34,360,759	\$ 34,846	7.2 %
2010	980,263	34,516,424	35,211	9.0
2009	1,020,200	32,900,000	32,249	8.3
2008	1,012,018	32,867,100	32,477	5.1
2007	1,003,235	31,646,777	31,545	3.7
2006	981,280	29,806,619	30,375	4.0
2005	957,635	26,703,829	27,885	4.6
2004	931,835	24,697,472	26,504	4.6
2003	911,160	22,953,195	25,191	5.3
2002	890,545	21,925,506	24,620	5.6

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 from 2002 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center. For the year 2011 the source of the information is the Arizona Office of Employment and Population Statistics.

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

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

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
University of Arizona	10,681	2.39 %	10,078	2.91 %
Raytheon Missile Systems	10,500	2.35	10,171	2.94
State of Arizona	9,061	2.02	9,753	2.82
Davis Monthan AFB	8,566	1.91	7,692	2.22
Wal-Mart Stores, Inc.	7,300	1.63	4,420	1.28
Tucson Unified School District	6,674	1.49	7,690	2.22
Fort Huachuca	6,198	1.38		
Pima County	6,170	1.38	8,048	2.33
US Border Patrol	6,000	1.34	2,189	0.63
University of Arizona Health Network	5,594	1.25	2,700	0.78
Freeport-McMoran Mining	5,068	1.13		
Carondelet Health Network	4,635	1.04	2,689	0.78
City of Tucson	4,541	1.01	5,495	1.59
Tohono O'odham Nation	4,350	0.97	3,515	1.02
Fry's Food Stores	3,100	0.69		
Tucson Medical Center	2,904	0.65	2,562	0.74
Total	<u>101,342</u>	<u>22.63 %</u>	<u>77,002</u>	<u>22.26 %</u>
Total employment	<u>447,600</u>		<u>346,000</u>	

Source: The source of this information is from a website of the Arizona Daily Star.

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

	Full-time Equivalent Employees as of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Supervisory					
Assistant principals	2	2	2	2	2
Total supervisory	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Instruction					
Teachers	13	10	11	12	12
Total instruction	<u>13</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>12</u>
Support and Administration					
Service workers	16	30	29	29	27
Total support and administration	<u>16</u>	<u>30</u>	<u>29</u>	<u>29</u>	<u>27</u>
Total	<u>31</u>	<u>42</u>	<u>42</u>	<u>43</u>	<u>41</u>

(Continued)

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

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

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

(Concluded)

**PIMA COUNTY SCHOOL RESERVE FUND
OPERATING STATISTICS
LAST TEN 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
2012	93	\$ 3,698,329	\$ 39,767	(4.17) %	\$ 3,791,512	\$ 40,769	(3.60) %	13	7.2
2011	98	4,066,634	41,496	23.78	4,144,712	42,293	18.57	10	9.8
2010	123	4,123,419	33,524	(5.43)	4,387,385	35,670	(5.41)	11	11.2
2009	108	3,828,551	35,450	17.75	4,072,771	37,711	18.87	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	24.87	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

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

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

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

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Schools										
Elementary										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Capacity	25	25	25	25	25	25	25	25	25	25
Enrollment	0	0	0	0	0	0	0	0	0	11

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

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

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**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County School Reserve Fund, a department of Pima County, Arizona, as of and for the year ended June 30, 2012, which collectively comprise Pima County School Reserve Fund's basic financial statements and have issued our report thereon dated November 15, 2012, was modified as to consistency because of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 November 15, 2012.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 15, 2012