

**PIMA COUNTY SCHOOL RESERVE FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 18, 2013

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, 2013.

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, 2013, 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 unmodified opinion that the Reserve's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's 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 received from federal and state aid as well as federal and state grants. Some revenues are received through enterprise services provided to local educational agencies (LEA) as provided by law. The revenues received by the Reserve are heavily reliant on the economic well-being of the state and federal government. This impacts our LEA's who also rely on state and federal awards to fund some of the professional development work that the Reserve provides through its enterprise functions. Any potentially negative shift by these external entities can generally extend to the Reserve's economic outlook and operational planning.

At the end of FY2013, school districts and charters received an inflationary increase provided in State law for the first time in over 4 years. The Reserve was able to benefit from this increase in funding the operations provided at the Accommodation District. The expansion of federal programs such as Race to the Top and School Improvement Grants at area districts and charters also allowed the Reserve to participate in the professional development enterprise programs. The Reserve was hired by several LEA's to provide subject matter experts to train teachers to meet the tenets of these federal awards. More importantly, as part of the Regional Centers model across Arizona, the Reserve itself was awarded Race to the Top funds that allowed several components of the ongoing work to continue unabated in partnership with other county school superintendents and LEA's in Pima, Santa Cruz, and Cochise Counties.

As the focus towards teacher performance pay and the Arizona College and Career Ready Standards (ACCRS) becomes a greater focus in educational policies in Arizona, the Reserve will be able to leverage some of its current financial resources to redesign its programs to meet the needs of local LEA's. However, within these same functions, the Reserve needs to continually preserve its statutory mandates of educating students that it must serve.

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, 2012. This was the twentieth 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 2012-13 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, 2012*

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

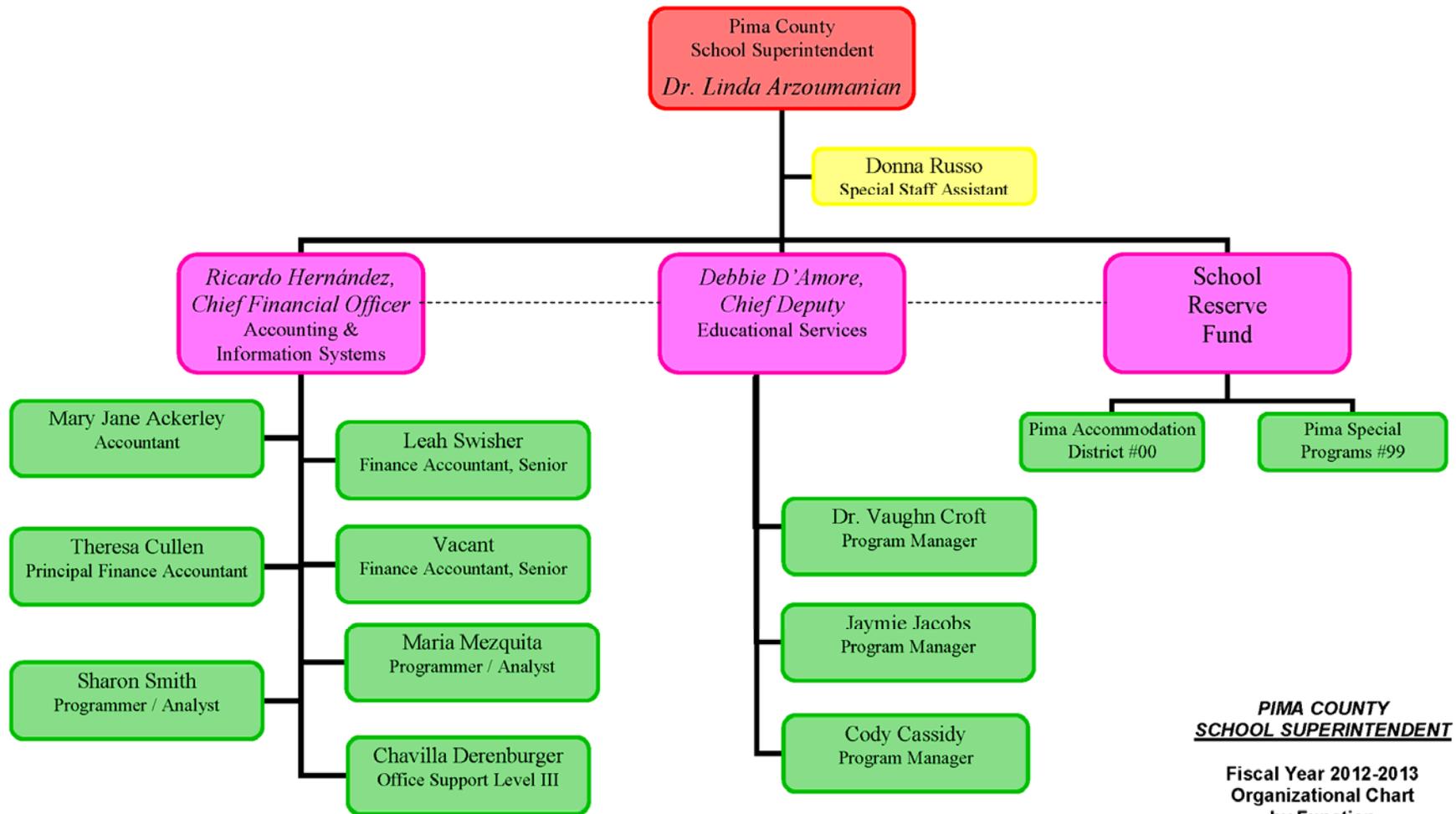


A handwritten signature in black ink, reading "Ron McCulley".

Ron McCulley, CPPB, RSBO
President

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

John D. Musso, CAE, RSBA
Executive Director



**PIMA COUNTY
SCHOOL SUPERINTENDENT**

**Fiscal Year 2012-2013
Organizational Chart
by Function**

PIMA COUNTY SCHOOL RESERVE FUND

LIST OF PRINCIPAL OFFICIALS

COUNTY BOARD OF SUPERVISORS

Ally Miller, 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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County School Reserve Fund (Reserve), a department of Pima County, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Reserve's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pima County School Reserve Fund, a department of Pima County, Arizona, as of June 30, 2013, 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.

Change in Accounting Principle

As described in Note 1, the Reserve implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Departmental Financial Statements

As discussed in Note 1, the financial statements of the Pima County School Reserve Fund are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County, Arizona that is attributable to the transactions of the Reserve. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2013, 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. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of 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* in considering Pima County School Reserve Fund's internal control over financial reporting and compliance.



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

November 18, 2013

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, 2013**

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, 2013. 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 \$209,216 which represents a 9 percent decrease from the prior fiscal year.
- General revenues accounted for \$944,516 in revenue, or 34 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.8 million or 66 percent of total current fiscal year revenues.
- The Reserve had approximately \$3.0 million in expenses related to governmental activities, a decrease of 21 percent from the prior fiscal year primarily due to decreased instructional and support costs related to a reduction in staff.
- Among major funds, the General Fund had \$961,645 in current fiscal year revenues, which primarily consisted of state aid, and \$996,467 in expenditures. The General Fund's fund balance decreased from \$710,471 at the prior fiscal year end, to \$680,663 at the end of the current fiscal year.
- The Fee for Service Fund had \$555,064 in current fiscal year expenditures. The Fee for Service Fund's fund balance decreased \$99,015 due to a reduction in charged fees related to events hosted by the District in the prior year.
- The School Plant Fund had \$64,366 in current fiscal year expenditures. The School Plant Fund's fund balance decreased \$59,811.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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, liabilities, and deferred inflows/outflows of resources, with the difference 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, 2013**

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, Limited English and Immigrant Students, 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, 2013**

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 \$2.1 million at the current fiscal year end.

The investment in capital assets (e.g. land improvements; buildings and improvements; vehicles, furniture, and equipment) comprises 13 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Reserve's ongoing obligations to its citizens and creditors.

The following table presents a summary of the Reserve's net position for the fiscal years ended June 30, 2013 and June 30, 2012.

	As of <u>June 30, 2013</u>	As of <u>June 30, 2012</u>
Current assets	\$ 1,953,197	\$ 2,204,890
Capital assets, net	271,201	319,674
Total assets	<u>2,224,398</u>	<u>2,524,564</u>
Current liabilities	84,177	153,055
Long-term liabilities	40,635	62,707
Total liabilities	<u>124,812</u>	<u>215,762</u>
Net position:		
Net investment in capital assets	271,201	319,674
Restricted	448,506	536,242
Unrestricted	1,379,879	1,452,886
Total net position	<u>\$ 2,099,586</u>	<u>\$ 2,308,802</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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.

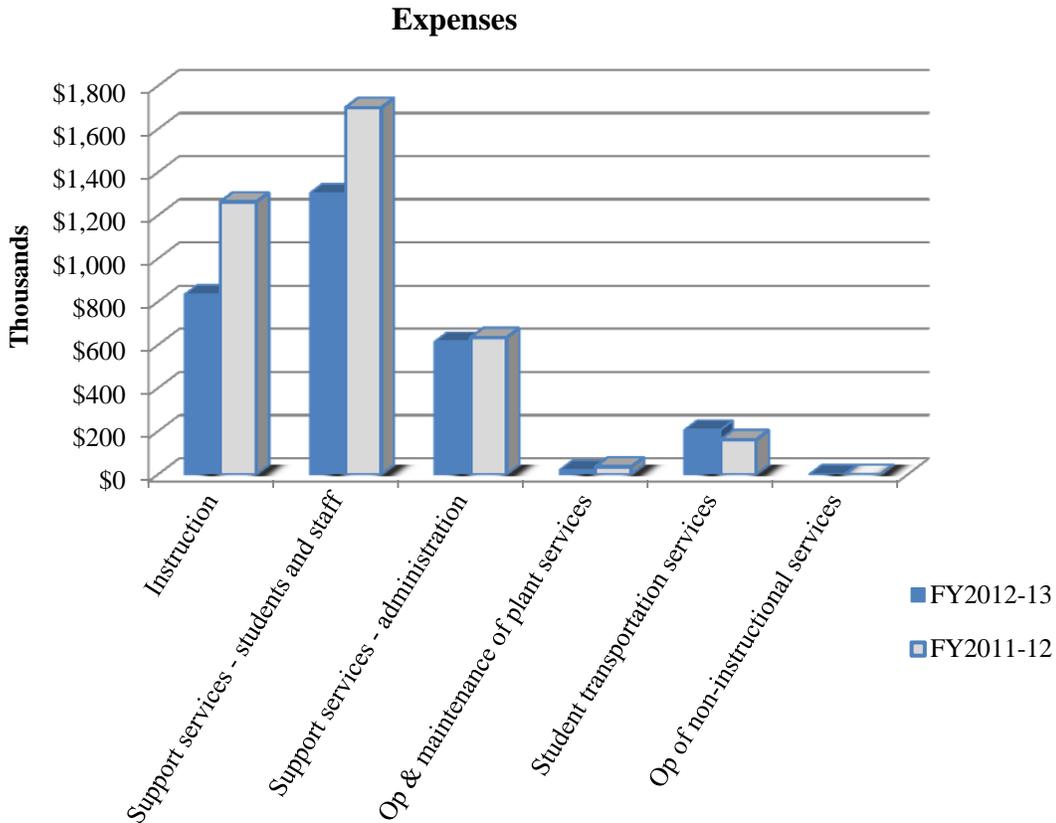
The Reserve's financial position is the product of several financial transactions including the net result of activities and the depreciation of capital assets.

Changes in net position. The Reserve's total revenues for the current fiscal year were \$2.8 million. The total cost of all programs and services was \$3.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

	Fiscal Year Ended <u>June 30, 2013</u>	Fiscal Year Ended <u>June 30, 2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 727,322	\$ 974,170
Operating grants and contributions	1,088,295	1,846,476
Capital grants and contributions	11,390	13,217
General revenues:		
Investment income	48,649	11,971
Unrestricted county aid	60,565	59,318
Unrestricted state aid	828,851	837,912
Unrestricted federal aid	6,451	7,889
Total revenues	<u>2,771,523</u>	<u>3,750,953</u>
Expenses:		
Instruction	833,386	1,262,553
Support services – students and staff	1,302,698	1,699,286
Support services – administration	615,509	633,545
Operation and maintenance of plant services	21,262	35,467
Student transportation services	206,745	160,424
Operation of non-instructional services	1,139	137
Total expenses	<u>2,980,739</u>	<u>3,791,412</u>
Change in net position	(209,216)	(40,459)
Net position, beginning	<u>2,308,802</u>	<u>2,349,361</u>
Net position, ending	<u>\$ 2,099,586</u>	<u>\$ 2,308,802</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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 \$758,181 in operating grants and contributions was primarily due to decreased federal funding for professional development and technology programs.
- The decrease of \$246,848 in charges for services was primarily due to a decline in teacher participants in the professional development programs.
- The overall decrease of \$810,673 in expense was due primarily to decreased instructional and 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, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

	<u>Year Ended June 30, 2013</u>		<u>Year Ended June 30, 2012</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$ 833,386	\$ (503,143)	\$1,262,553	\$ (687,329)
Support services – students and staff	1,302,698	(229,892)	1,699,286	49,565
Support services – administration	615,509	(191,551)	633,545	(123,857)
Operation and maintenance of plant services	21,262	(21,262)	35,467	(35,467)
Student transportation services	206,745	(206,745)	160,424	(160,424)
Operation of non-instructional services	1,139	(1,139)	137	(137)
Total	<u>\$2,980,739</u>	<u>\$(1,153,732)</u>	<u>\$3,791,412</u>	<u>\$ (957,649)</u>

- The cost of all governmental activities this year was \$3.0 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$1.8 million.
- Net cost of governmental activities of \$1.2 million was financed by general revenues, which are made up primarily of state aid of \$828,851.

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 \$1.9 million, a decrease of \$182,815.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

The fund balance decreased \$29,808 in the General Fund to \$680,663 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 \$580,586 from the prior fiscal year due to decreased federal grant funding in relation to the end of a grant program related to technology integration.

The Other Federal Projects Fund revenues decreased \$155,451. The Fee for Service Fund revenues decreased \$223,644 due primarily to a reduction in charged fees related to events hosted by the District in the prior year.

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 \$90,510 decrease, or nine 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. There were no significant variances between the final amended budget and actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the Reserve had invested \$906,854 in capital assets, including land improvements, buildings, buses and other vehicles, computers, and other equipment. Total depreciation expense for the current fiscal year was \$54,980. The net capital asset balance was \$271,201 at June 30, 2013, and \$319,674 at June 30, 2012. 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.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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 2013-14 budget. Among them:

- Available fiscal year 2012-13 budget balance carry forward.
- Student population in the Jail and Detention Center.
- Employee salaries and benefits costs.

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

These indicators were considered when adopting the budget for fiscal year 2013-14. Budgeted expenditures in the General Fund decreased 14 percent to \$768,756 in fiscal year 2013-14. The primary reason for the decrease is an anticipated decrease in student attendance at the Detention Center due to judiciary policy changes. No new programs were added to the 2013-14 budget.

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, 2013**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,545,331
Accounts receivable	41,400
Due from governmental entities	366,466
Total current assets	1,953,197
Noncurrent assets:	
Land improvements	36,466
Buildings and improvements	151,880
Vehicles, furniture and equipment	718,508
Accumulated depreciation	(635,653)
Total noncurrent assets	271,201
Total assets	2,224,398
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	60,756
Accrued payroll and employee benefits	14,088
Compensated absences payable	37,938
Unearned revenues	9,333
Total current liabilities	122,115
Noncurrent liabilities:	
Non-current portion of long-term obligations	2,697
Total noncurrent liabilities	2,697
Total liabilities	124,812
 <u>NET POSITION</u>	
Net investment in capital assets	271,201
Restricted for:	
Federal and state projects	114,487
Other local initiatives	183,522
Capital outlay	150,497
Unrestricted	1,379,879
Total net position	\$ 2,099,586

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 833,386	\$ 46,779	\$ 272,074	\$ 11,390	\$ (503,143)
Support services - students and staff	1,302,698	452,478	620,328		(229,892)
Support services - administration	615,509	228,065	195,893		(191,551)
Operation and maintenance of plant services	21,262				(21,262)
Student transportation services	206,745				(206,745)
Operation of non-instructional services	1,139				(1,139)
Total governmental activities	<u>\$ 2,980,739</u>	<u>\$ 727,322</u>	<u>\$ 1,088,295</u>	<u>\$ 11,390</u>	<u>(1,153,732)</u>

General revenues:

Investment income	48,649
Unrestricted county aid	60,565
Unrestricted state aid	828,851
Unrestricted federal aid	6,451
Total general revenues	<u>944,516</u>

Changes in net position (209,216)

Net position, beginning of year 2,308,802

Net position, end of year \$ 2,099,586

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

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FUND FINANCIAL STATEMENTS

**PIMA COUNTY SCHOOL RESERVE FUND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Professional Development and Technology Grants	Limited English & Immigrant Students
<u>ASSETS</u>			
Cash and investments	\$ 436,862	\$ 25,538	\$
Accounts receivable			
Due from governmental entities	262,691		18,054
Due from other funds			
Total assets	\$ 699,553	\$ 25,538	\$ 18,054
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 6,444	\$ 16,805	\$ 1,134
Due to other funds			16,920
Accrued payroll and employee benefits	12,446		
Unearned revenues		8,733	
Total liabilities	18,890	25,538	18,054
Fund balances (deficits):			
Restricted			
Committed			
Assigned			
Unassigned	680,663		
Total fund balances	680,663		
Total liabilities and fund balances	\$ 699,553	\$ 25,538	\$ 18,054

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>
\$	\$ 195,583	\$ 355,014	\$ 532,334	\$ 1,545,331
	41,400			41,400
78,193			7,528	366,466
	93,033			93,033
<u>\$ 78,193</u>	<u>\$ 330,016</u>	<u>\$ 355,014</u>	<u>\$ 539,862</u>	<u>\$ 2,046,230</u>
\$ 2,527	\$ 14,912	\$	\$ 18,934	\$ 60,756
75,666			447	93,033
			1,642	14,088
			600	9,333
<u>78,193</u>	<u>14,912</u>		<u>21,623</u>	<u>177,210</u>
	315,104		514,513	514,513
		355,014	4,173	315,104
			(447)	359,187
	<u>315,104</u>	<u>355,014</u>	<u>518,239</u>	<u>680,216</u>
<u>\$ 78,193</u>	<u>\$ 330,016</u>	<u>\$ 355,014</u>	<u>\$ 539,862</u>	<u>\$ 2,046,230</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, 2013**

Total governmental fund balances **\$ 1,869,020**

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	\$ 906,854	
Less accumulated depreciation	<u>(635,653)</u>	271,201

Compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(40,635)</u>
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Net position of governmental activities **\$ 2,099,586**

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, 2013**

	<u>General</u>	<u>Professional Development and Technology Grants</u>	<u>Limited English & Immigrant Students</u>
Revenues:			
Other local	\$ 300,198	\$	\$
State aid and grants	661,447		
Federal aid, grants and reimbursements		597,124	36,053
Total revenues	<u>961,645</u>	<u>597,124</u>	<u>36,053</u>
Expenditures:			
Current -			
Instruction	467,311	116,019	27,973
Support services - students and staff	22,149	337,742	5,017
Support services - administration	307,543	140,456	885
Operation and maintenance of plant services	11,654		
Student transportation services	162,688		
Capital outlay	25,122		1,999
Total expenditures	<u>996,467</u>	<u>594,217</u>	<u>35,874</u>
Excess (deficiency) of revenues over expenditures	<u>(34,822)</u>	<u>2,907</u>	<u>179</u>
Other financing sources (uses):			
Transfer in	5,014		
Transfer out		(2,907)	(179)
Total other financing sources (uses):	<u>5,014</u>	<u>(2,907)</u>	<u>(179)</u>
Changes in fund balances	<u>(29,808)</u>		
Fund balances, beginning of year	710,471		
Fund balances, end of year	<u>\$ 680,663</u>	<u>\$</u>	<u>\$</u>

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>
\$	\$ 456,049	\$ 4,555	\$ 75,734	\$ 836,536
			182,816	844,263
296,915			160,632	1,090,724
<u>296,915</u>	<u>456,049</u>	<u>4,555</u>	<u>419,182</u>	<u>2,771,523</u>
		154	200,421	811,878
254,458	544,137	5,202	122,480	1,291,185
35,296	10,815	36,237	75,459	606,691
635	30	1,327	4,768	18,414
			17	162,705
4,794	82	21,446	10,022	63,465
<u>295,183</u>	<u>555,064</u>	<u>64,366</u>	<u>413,167</u>	<u>2,954,338</u>
1,732	(99,015)	(59,811)	6,015	(182,815)
				5,014
<u>(1,732)</u>			<u>(196)</u>	<u>(5,014)</u>
<u>(1,732)</u>			<u>(196)</u>	
	(99,015)	(59,811)	5,819	(182,815)
	414,119	414,825	512,420	2,051,835
<u>\$</u>	<u>\$ 315,104</u>	<u>\$ 355,014</u>	<u>\$ 518,239</u>	<u>\$ 1,869,020</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, 2013**

Net changes in fund balances - total governmental funds **\$ (182,815)**

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	\$ 6,507	
Less current year depreciation	<u>(54,980)</u>	(48,473)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>22,072</u>
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Change in net position of governmental activities **\$ (209,216)**

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

**PIMA COUNTY SCHOOL RESERVE FUND
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 21,870
Total assets	<u>\$ 21,870</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 21,870
Total liabilities	<u>\$ 21,870</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, 2013

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, 2013, the Reserve implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes standards that reclassify certain financial statement elements as outflows of resources or inflows of resources. The Reserve did not have any such items for the year ended June 30, 2013.

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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effects of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the Reserve before the underlying transaction or event is complete, 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, 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.

Limited English and Immigrant Students Fund – The Limited English and Immigrant Students Fund accounts for financial assistance received for educational services and costs for limited English and immigrant children.

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

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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 and as expenditures when purchased in the fund financial statements.

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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

H. Compensated Absences

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

I. Interfund Activity

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

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

J. Net Position Flow Assumption

In the government-wide fund financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

K. 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. Committed fund balances are self-imposed limitations set prior to the year end closing. The Board of Supervisors is the highest level of decision making authority. Imposed limitations on the use of funds must be approved by the Board of Supervisors at a regular supervisory meeting. Any modifications and/or rescissions must also be approved by the Board.

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, 2013**

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 outlays 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	\$	\$	\$	\$ 150,497
Statutory mandates				107,178
Federal and State projects				7,309
Auxiliary operations				14,627
Other purposes				234,902
Committed:				
Other purposes		315,104		
Assigned:				
Capital projects			355,014	4,173
Unassigned	680,663			(447)
Total fund balances	\$ 680,663	\$ 315,104	\$ 355,014	\$ 518,239

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the E-Rate Fund, a non-major governmental fund, reported a deficit of \$447 in fund balance.

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, 2013

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.

The County Treasurer’s pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the County Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments.

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	248 days	<u>\$1,567,201</u>
Total		<u>\$1,567,201</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

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

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

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

NOTE 5 – RECEIVABLES

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

	General Fund	Limited English and Immigrant Students Fund	Other Federal Projects Fund	Non-Major Governmental Funds
Due from other governmental entities:				
Due from Federal government	\$	\$ 18,054	\$ 78,193	\$ 3,735
Due from State government	240,915			3,793
Due from school districts	21,776			
Net due from governmental entities	<u>\$ 262,691</u>	<u>\$ 18,054</u>	<u>\$ 78,193</u>	<u>\$ 7,528</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2013 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	6,507		718,508
Total capital assets being depreciated	<u>900,347</u>	<u>6,507</u>		<u>906,854</u>
Less accumulated depreciation for:				
Land improvements	(27,258)	(1,818)		(29,076)
Buildings and improvements	(113,878)	(2,547)		(116,425)
Vehicles, furniture and equipment	(439,537)	(50,615)		(490,152)
Total accumulated depreciation	<u>(580,673)</u>	<u>(54,980)</u>		<u>(635,653)</u>
Total capital assets, being depreciated, net	319,674	(48,473)		271,201
Governmental activities capital assets, net	<u>\$ 319,674</u>	<u>\$ (48,473)</u>		<u>\$ 271,201</u>

Depreciation expense was charged to governmental functions as follows.

Instruction	\$ 4,653
Support services – students and staff	4,678
Support services - administration	6,735
Student transportation services	<u>38,914</u>
Total depreciation expense – governmental activities	<u>\$54,980</u>

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 \$25,636 for the current fiscal year. The copiers' operating leases had a cancellable lease term through September 2013. As of June 30, 2013, the future minimum rental payment under the operating lease, due in fiscal year 2014, was \$5,940.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end interfund balances were as follows.

Due to/from other funds:

<u>Due to</u>	Due from			<u>Total</u>
	Limited English and Immigrant Students Fund	Other Federal Projects Fund	Non-Major Governmental Funds	
Fee for Service Fund	\$ 16,920	\$ 75,666	\$ 447	\$ 93,033
Total	\$ 16,920	\$ 75,666	\$ 447	\$ 93,033

At year end, negative cash remained in several funds. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the Fee for Service Fund. Interfund balances are expected to be paid within one year.

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in General Fund</u>
Professional Development and Technology Grants Fund	\$ 2,907
Limited English and Immigrant Students Fund	179
Other Federal Projects Fund	1,732
Non-Major Governmental Funds	196
Total	\$ 5,014

Transfers between funds were used to (1) to move funds restricted for indirect costs and (2) to move cash balances remaining in discontinued funds to the General Fund.

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	\$ 62,707	\$ 36,338	\$ 58,410	\$ 40,635	\$ 37,938
Governmental activity long-term liabilities	<u>\$ 62,707</u>	<u>\$ 36,338</u>	<u>\$ 58,410</u>	<u>\$ 40,635</u>	<u>\$ 37,938</u>

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 her 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 11.14 percent (10.90 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 11.14 percent (10.25 percent for retirement and 0.65 percent for health insurance premiums, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2013	\$ 137,140	\$ 8,697	\$ 3,211
2012	133,153	8,499	3,238
2011	150,972	9,886	4,189

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

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$ 82,204	\$ 82,204	\$ 62,034	\$ (20,170)
State aid and grants	588,472	588,472	661,447	72,975
Total revenues	<u>670,676</u>	<u>670,676</u>	<u>723,481</u>	<u>52,805</u>
Expenditures:				
Current -				
Instruction	517,295	489,801	455,264	34,537
Support services - students and staff	7,000		4,514	(4,514)
Support services - administration	256,792	200,776	218,425	(17,649)
Operation and maintenance of plant services	7,500	7,500	4,203	3,297
Student transportation services	195,499	195,499	162,688	32,811
Total expenditures	<u>984,086</u>	<u>893,576</u>	<u>845,094</u>	<u>48,482</u>
Excess (deficiency) of revenues over expenditures	<u>(313,410)</u>	<u>(222,900)</u>	<u>(121,613)</u>	<u>101,287</u>
Other financing sources (uses):				
Transfer in			171,260	171,260
Total other financing sources (uses):			<u>171,260</u>	<u>171,260</u>
Changes in fund balances	<u>(313,410)</u>	<u>(222,900)</u>	<u>49,647</u>	<u>272,547</u>
Fund balances, beginning of year			11,143	11,143
Fund balances (deficits), end of year	<u>\$ (313,410)</u>	<u>\$ (222,900)</u>	<u>\$ 60,790</u>	<u>\$ 283,690</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, 2013**

	<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	\$	\$	\$ 597,124	\$ 597,124
Total revenues			<u>597,124</u>	<u>597,124</u>
Expenditures:				
Current -				
Instruction	3,337	6,187	116,019	(109,832)
Support services - students and staff	9,716	18,009	337,742	(319,733)
Support services - administration	4,040	7,490	140,456	(132,966)
Total expenditures	<u>17,093</u>	<u>31,686</u>	<u>594,217</u>	<u>(562,531)</u>
Excess (deficiency) of revenues over expenditures	<u>(17,093)</u>	<u>(31,686)</u>	<u>2,907</u>	<u>34,593</u>
Other financing sources (uses):				
Transfer out	<u>(2,907)</u>	<u>(2,907)</u>	<u>(2,907)</u>	
Total other financing sources (uses):	<u>(2,907)</u>	<u>(2,907)</u>	<u>(2,907)</u>	
Changes in fund balances	<u>(20,000)</u>	<u>(34,593)</u>		<u>34,593</u>
Fund balances, beginning of year				
Fund balances (deficits), end of year	<u>\$ (20,000)</u>	<u>\$ (34,593)</u>	<u>\$</u>	<u>\$ 34,593</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LIMITED ENGLISH & IMMIGRANT STUDENTS
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 36,053	\$ 36,053
Total revenues		<u>36,053</u>	<u>36,053</u>
Expenditures:			
Current -			
Instruction		27,973	(27,973)
Support services - students and staff		5,017	(5,017)
Support services - administration		885	(885)
Capital outlay		1,999	(1,999)
Total expenditures		<u>35,874</u>	<u>(35,874)</u>
Excess (deficiency) of revenues over expenditures		<u>179</u>	<u>179</u>
Other financing sources (uses):			
Transfer out		(179)	(179)
Total other financing sources (uses):		<u>(179)</u>	<u>(179)</u>
Changes in fund balances			
Fund balances, beginning of year			
Fund balances, end of year	\$	\$	\$

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, 2013**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 296,915	\$ 296,915
Total revenues		<u>296,915</u>	<u>296,915</u>
Expenditures:			
Current -			
Support services - students and staff	20,058	254,458	(234,400)
Support services - administration	2,782	35,296	(32,514)
Operation and maintenance of plant services	50	635	(585)
Capital outlay		4,794	(4,794)
Total expenditures	<u>22,890</u>	<u>295,183</u>	<u>(272,293)</u>
Excess (deficiency) of revenues over expenditures	<u>(22,890)</u>	<u>1,732</u>	<u>24,622</u>
Other financing sources (uses):			
Transfer out	(1,732)	(1,732)	
Total other financing sources (uses):	<u>(1,732)</u>	<u>(1,732)</u>	
Changes in fund balances	<u>(24,622)</u>		<u>24,622</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year	<u>\$ (24,622)</u>	<u>\$</u>	<u>\$ 24,622</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, 2013**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Other local	\$	\$ 456,049	\$ 456,049
Total revenues		<u>456,049</u>	<u>456,049</u>
Expenditures:			
Current -			
Support services - students and staff		544,137	(544,137)
Support services - administration		10,815	(10,815)
Operation and maintenance of plant services		30	(30)
Capital outlay		82	(82)
Total expenditures		<u>555,064</u>	<u>(555,064)</u>
Changes in fund balances		<u>(99,015)</u>	<u>(99,015)</u>
Fund balances, beginning of year		414,119	414,119
Fund balances, end of year	\$	<u>\$ 315,104</u>	<u>\$ 315,104</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Reserve is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception. A portion of the 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, 2012, and fund balance at June 30, 2013 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, June 30, 2013</u>	<u>Fund Balance, July 1, 2012</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 996,467	\$ 680,663	\$ 710,471
Fiscal year 2012-13 activity budgeted as special revenue funds	(140,794)	(624,175)	(521,791)
Fiscal year 2012-13 activity budgeted as capital projects funds	<u>(10,579)</u>	<u>4,302</u>	<u>(177,537)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 845,094</u>	<u>\$ 60,790</u>	<u>\$ 11,143</u>

NOTE 2 – EXCESS EXPENDITURES OVER BUDGET

At year end, the Professional Development and Technology Grants, Limited English & Immigrant Students, Other Federal Projects, and Fee for Service Funds, major special revenue funds, had excess expenditures over budget of \$562,531, \$35,874, \$272,293, and \$555,064, 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, 2013

	Special Revenue	Capital Projects	Total Non-Major Governmental Fund
<u>ASSETS</u>			
Cash and investments	\$ 376,642	\$ 155,692	\$ 532,334
Due from governmental entities	7,528		7,528
Total assets	\$ 384,170	\$ 155,692	\$ 539,862
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 17,912	\$ 1,022	\$ 18,934
Due to other funds	447		447
Accrued payroll and employee benefits	1,642		1,642
Unearned revenues	600		600
Total liabilities	20,601	1,022	21,623
Fund balances (deficits):			
Restricted	364,016	150,497	514,513
Assigned		4,173	4,173
Unassigned	(447)		(447)
Total fund balances	363,569	154,670	518,239
 Total liabilities and fund balances	 \$ 384,170	 \$ 155,692	 \$ 539,862

**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, 2013**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 72,937	\$ 2,797	\$ 75,734
State aid and grants	182,816		182,816
Federal aid, grants and reimbursements	160,632		160,632
Total revenues	<u>416,385</u>	<u>2,797</u>	<u>419,182</u>
Expenditures:			
Current -			
Instruction	200,421		200,421
Support services - students and staff	122,480		122,480
Support services - administration	75,459		75,459
Operation and maintenance of plant services	4,768		4,768
Student transportation services	17		17
Capital outlay	9,935	87	10,022
Total expenditures	<u>413,080</u>	<u>87</u>	<u>413,167</u>
Excess (deficiency) of revenues over expenditures	<u>3,305</u>	<u>2,710</u>	<u>6,015</u>
Other financing sources (uses):			
Transfer out	(196)		(196)
Total other financing sources (uses):	<u>(196)</u>		<u>(196)</u>
Changes in fund balances	<u>3,109</u>	<u>2,710</u>	<u>5,819</u>
Fund balances, beginning of year	360,460	151,960	512,420
Fund balances, end of year	<u>\$ 363,569</u>	<u>\$ 154,670</u>	<u>\$ 518,239</u>

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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.

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.

E-Rate - to account for financial assistance received for broadband internet and telecommunication costs.

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.

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	Classroom Site	Instructional Improvement	Title I Grants
<u>ASSETS</u>			
Cash and investments	\$ 48,293	\$ 55,092	\$ 14,198
Due from governmental entities	2,171	1,622	
Total assets	\$ 50,464	\$ 56,714	\$ 14,198
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$ 13,052
Due to other funds			
Accrued payroll and employee benefits			929
Unearned revenues			217
Total liabilities			14,198
Fund balances (deficits):			
Restricted	50,464	56,714	
Unassigned			
Total fund balances	50,464	56,714	
 Total liabilities and fund balances	 \$ 50,464	 \$ 56,714	 \$ 14,198

Special Education Grants	Taylor Grazing Fees	E-Rate	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$ 1,838	\$ 7,309	\$	\$ 383	\$ 14,627	\$ 6,881
3,735					
<u>\$ 5,573</u>	<u>\$ 7,309</u>	<u>\$</u>	<u>\$ 383</u>	<u>\$ 14,627</u>	<u>\$ 6,881</u>
\$ 4,860	\$	\$ 447	\$	\$	\$
713					
<u>5,573</u>	<u></u>	<u>447</u>	<u>383</u>	<u></u>	<u></u>
	7,309	(447)		14,627	6,881
	<u>7,309</u>	<u>(447)</u>		<u>14,627</u>	<u>6,881</u>
<u>\$ 5,573</u>	<u>\$ 7,309</u>	<u>\$</u>	<u>\$ 383</u>	<u>\$ 14,627</u>	<u>\$ 6,881</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013**

	Small Schools	Fingerprint	Insurance Proceeds
<u>ASSETS</u>			
Cash and investments	\$ 183,522	\$ 127	\$ 6,878
Due from governmental entities			
Total assets	\$ 183,522	\$ 127	\$ 6,878
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits			
Unearned revenues			
Total liabilities			
Fund balances (deficits):			
Restricted	183,522	127	6,878
Unassigned			
Total fund balances	183,522	127	6,878
 Total liabilities and fund balances	 \$ 183,522	 \$ 127	 \$ 6,878

<u>Litigation Recovery</u>	<u>Teacherage</u>	<u>Totals</u>
\$ 11,887	\$ 25,607	\$ 376,642
		7,528
<u>\$ 11,887</u>	<u>\$ 25,607</u>	<u>\$ 384,170</u>
\$	\$	\$ 17,912
		447
		1,642
		600
		<u>20,601</u>
11,887	25,607	364,016
		(447)
<u>11,887</u>	<u>25,607</u>	<u>363,569</u>
<u>\$ 11,887</u>	<u>\$ 25,607</u>	<u>\$ 384,170</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, 2013**

	Classroom Site	Instructional Improvement	Title I Grants
Revenues:			
Other local	\$	\$	\$
State aid and grants	69,762	4,342	
Federal aid, grants and reimbursements			104,755
Total revenues	69,762	4,342	104,755
Expenditures:			
Current -			
Instruction	70,471		91,677
Support services - students and staff			
Support services - administration			13,078
Operation and maintenance of plant services			
Student transportation services			
Capital outlay			
Total expenditures	70,471		104,755
Excess (deficiency) of revenues over expenditures	(709)	4,342	
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	(709)	4,342	
Fund balances, beginning of year	51,173	52,372	
Fund balances (deficits), end of year	\$ 50,464	\$ 56,714	\$

Special Education Grants	Taylor Grazing Fees	E-Rate	Other State Projects	Extracurricular Activities Fees Tax Credit	Gifts and Donations
\$	\$	\$	\$	\$ 159	\$ 46,871
49,426	6,451		15,412		
<u>49,426</u>	<u>6,451</u>		<u>15,412</u>	<u>159</u>	<u>46,871</u>
28,939	9,334				
20,291	5,008		6,021		41,803
	4,908				
		447			
	17				
			9,391		544
<u>49,230</u>	<u>19,267</u>	<u>447</u>	<u>15,412</u>		<u>42,347</u>
196	(12,816)	(447)		159	4,524
(196)					
<u>(196)</u>					
	(12,816)	(447)		159	4,524
	20,125			14,468	2,357
<u>\$</u>	<u>\$ 7,309</u>	<u>\$ (447)</u>	<u>\$</u>	<u>\$ 14,627</u>	<u>\$ 6,881</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, 2013**

	Small Schools	Fingerprint	Insurance Proceeds
Revenues:			
Other local	\$ 25,421	\$ 3	\$ 74
State aid and grants	93,300		
Federal aid, grants and reimbursements			
Total revenues	118,721	3	74
Expenditures:			
Current -			
Instruction			
Support services - students and staff	49,357		
Support services - administration	57,473		
Operation and maintenance of plant services	4,321		
Student transportation services			
Capital outlay			
Total expenditures	111,151		
Excess (deficiency) of revenues over expenditures	7,570	3	74
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	7,570	3	74
Fund balances, beginning of year	175,952	124	6,804
Fund balances, end of year	\$ 183,522	\$ 127	\$ 6,878

Litigation Recovery	Teacherage	Totals
\$ 131	\$ 278	\$ 72,937
		182,816
		160,632
<u>131</u>	<u>278</u>	<u>416,385</u>
		200,421
		122,480
		75,459
		4,768
		17
		9,935
		<u>413,080</u>
<u>131</u>	<u>278</u>	<u>3,305</u>
		(196)
		<u>(196)</u>
<u>131</u>	<u>278</u>	<u>3,109</u>
11,756	25,329	360,460
<u>\$ 11,887</u>	<u>\$ 25,607</u>	<u>\$ 363,569</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, 2013**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		69,762	69,762
Federal aid, grants and reimbursements			
Total revenues		<u>69,762</u>	<u>69,762</u>
Expenditures:			
Current -			
Instruction	131,646	70,471	61,175
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay			
Total expenditures	<u>131,646</u>	<u>70,471</u>	<u>61,175</u>
Excess (deficiency) of revenues over expenditures	<u>(131,646)</u>	<u>(709)</u>	<u>130,937</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(131,646)</u>	<u>(709)</u>	<u>130,937</u>
Fund balances, beginning of year		51,173	51,173
Fund balances (deficits), end of year	<u>\$ (131,646)</u>	<u>\$ 50,464</u>	<u>\$ 182,110</u>

Instructional Improvement			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,342	\$ 4,342	\$	\$	\$
	<u>4,342</u>	<u>4,342</u>		<u>104,755</u>	<u>104,755</u>
	<u>4,342</u>	<u>4,342</u>		<u>104,755</u>	<u>104,755</u>
55,000		55,000	91,638	91,677	(39)
			13,073	13,078	(5)
<u>55,000</u>		<u>55,000</u>	<u>104,711</u>	<u>104,755</u>	<u>(44)</u>
<u>(55,000)</u>	<u>4,342</u>	<u>59,342</u>	<u>(104,711)</u>		<u>104,711</u>
<u>(55,000)</u>	<u>4,342</u>	<u>59,342</u>	<u>(104,711)</u>		<u>104,711</u>
	52,372	52,372			
<u>\$ (55,000)</u>	<u>\$ 56,714</u>	<u>\$ 111,714</u>	<u>\$ (104,711)</u>	<u>\$</u>	<u>\$ 104,711</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, 2013**

	Special Education Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		49,426	49,426
Total revenues		<u>49,426</u>	<u>49,426</u>
Expenditures:			
Current -			
Instruction	179,959	28,939	151,020
Support services - students and staff	126,181	20,291	105,890
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay			
Total expenditures	<u>306,140</u>	<u>49,230</u>	<u>256,910</u>
Excess (deficiency) of revenues over expenditures	<u>(306,140)</u>	<u>196</u>	<u>306,336</u>
Other financing sources (uses):			
Transfer in			
Transfer out	(196)	(196)	
Total other financing sources (uses):	<u>(196)</u>	<u>(196)</u>	
Changes in fund balances	<u>(306,336)</u>		<u>306,336</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year	<u>\$ (306,336)</u>	<u>\$</u>	<u>\$ 306,336</u>

Medicaid Reimbursement			Taylor Grazing Fees		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				6,451	6,451
				6,451	6,451
	1,149	(1,149)		9,334	(9,334)
				5,008	(5,008)
				4,908	(4,908)
				17	(17)
	1,149	(1,149)		19,267	(19,267)
	(1,149)	(1,149)		(12,816)	(12,816)
	(1,149)	(1,149)		(12,816)	(12,816)
	1,149	1,149		20,125	20,125
\$	\$	\$	\$	\$ 7,309	\$ 7,309

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2013**

	E-Rate		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services		447	(447)
Student transportation services			
Capital outlay			
Total expenditures		447	(447)
Excess (deficiency) of revenues over expenditures		(447)	(447)
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		(447)	(447)
Fund balances, beginning of year			
Fund balances (deficits), end of year	\$	\$ (447)	\$ (447)

Other State Projects			Extracurricular Activities Fees Tax Credit		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 15,412	\$ 15,412	\$	\$ 159	\$ 159
	<u>15,412</u>	<u>15,412</u>		<u>159</u>	<u>159</u>
625	6,021	(5,396)			
<u>975</u>	<u>9,391</u>	<u>(8,416)</u>			
<u>1,600</u>	<u>15,412</u>	<u>(13,812)</u>			
<u>(1,600)</u>		<u>1,600</u>		<u>159</u>	<u>159</u>
<u>(1,600)</u>		<u>1,600</u>		<u>159</u>	<u>159</u>
				14,468	14,468
<u>\$ (1,600)</u>	<u>\$</u>	<u>\$ 1,600</u>	<u>\$</u>	<u>\$ 14,627</u>	<u>\$ 14,627</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013**

	Gifts and Donations		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 46,871	\$ 46,871
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>46,871</u>	<u>46,871</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff	634	41,803	(41,169)
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay	8	544	(536)
Total expenditures	<u>642</u>	<u>42,347</u>	<u>(41,705)</u>
Excess (deficiency) of revenues over expenditures	<u>(642)</u>	<u>4,524</u>	<u>5,166</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(642)</u>	<u>4,524</u>	<u>5,166</u>
Fund balances, beginning of year		2,357	2,357
Fund balances (deficits), end of year	<u>\$ (642)</u>	<u>\$ 6,881</u>	<u>\$ 7,523</u>

Small Schools			Fingerprint		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 25,421 93,300	\$ 25,421 93,300	\$	\$ 3	\$ 3
	<u>118,721</u>	<u>118,721</u>		<u>3</u>	<u>3</u>
	49,357	(49,357)	126		126
	57,473	(57,473)			
	4,321	(4,321)			
	<u>111,151</u>	<u>(111,151)</u>	<u>126</u>		<u>126</u>
	<u>7,570</u>	<u>7,570</u>	<u>(126)</u>	<u>3</u>	<u>129</u>
	<u>7,570</u>	<u>7,570</u>	<u>(126)</u>	<u>3</u>	<u>129</u>
	175,952	175,952		124	124
<u>\$</u>	<u>\$ 183,522</u>	<u>\$ 183,522</u>	<u>\$ (126)</u>	<u>\$ 127</u>	<u>\$ 253</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, 2013**

	Insurance Proceeds		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 74	\$ 74
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		74	74
Expenditures:			
Current -			
Instruction	6,825		6,825
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay			
Total expenditures	6,825		6,825
Excess (deficiency) of revenues over expenditures	(6,825)	74	6,899
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	(6,825)	74	6,899
Fund balances, beginning of year		6,804	6,804
Fund balances (deficits), end of year	\$ (6,825)	\$ 6,878	\$ 13,703

Litigation Recovery			Administrative Costs		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 131	\$ 131	\$	\$ 238,164	\$ 238,164
	<u>131</u>	<u>131</u>		<u>238,164</u>	<u>238,164</u>
740		740	5	319	(314)
			290	17,635	(17,345)
			1,468	89,118	(87,650)
			123	7,451	(7,328)
			<u>414</u>	<u>25,122</u>	<u>(24,708)</u>
<u>740</u>		<u>740</u>	<u>2,300</u>	<u>139,645</u>	<u>(137,345)</u>
<u>(740)</u>	<u>131</u>	<u>871</u>	<u>(2,300)</u>	<u>98,519</u>	<u>100,819</u>
				5,014	5,014
				<u>5,014</u>	<u>5,014</u>
<u>(740)</u>	<u>131</u>	<u>871</u>	<u>(2,300)</u>	<u>103,533</u>	<u>105,833</u>
	11,756	11,756		520,642	520,642
<u>\$ (740)</u>	<u>\$ 11,887</u>	<u>\$ 12,627</u>	<u>\$ (2,300)</u>	<u>\$ 624,175</u>	<u>\$ 626,475</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013**

	Teacherage		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 278	\$ 278
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		278	278
Expenditures:			
Current -			
Instruction	25,300		25,300
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay			
Total expenditures	25,300		25,300
Excess (deficiency) of revenues over expenditures	(25,300)	278	25,578
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	(25,300)	278	25,578
Fund balances, beginning of year		25,329	25,329
Fund balances (deficits), end of year	\$ (25,300)	\$ 25,607	\$ 50,907

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 311,101	\$ 311,101
	182,816	182,816
	160,632	160,632
	<u>654,549</u>	<u>654,549</u>
491,239	201,889	289,350
127,730	140,115	(12,385)
14,541	164,577	(150,036)
123	12,219	(12,096)
	17	(17)
1,397	35,057	(33,660)
<u>635,030</u>	<u>553,874</u>	<u>81,156</u>
<u>(635,030)</u>	<u>100,675</u>	<u>735,705</u>
	5,014	5,014
(196)	(196)	
<u>(196)</u>	<u>4,818</u>	<u>5,014</u>
<u>(635,226)</u>	<u>105,493</u>	<u>740,719</u>
	882,251	882,251
<u>\$ (635,226)</u>	<u>\$ 987,744</u>	<u>\$ 1,622,970</u>

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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, 2013**

	<u>Unrestricted Capital Outlay</u>	<u>Building Renewal</u>	<u>Bus Replacement</u>
<u>ASSETS</u>			
Cash and investments	\$ 113,391	\$ 38,128	\$ 4,173
Total assets	<u>\$ 113,391</u>	<u>\$ 38,128</u>	<u>\$ 4,173</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,022	\$	\$
Total liabilities	<u>1,022</u>	<u></u>	<u></u>
Fund balances:			
Restricted	112,369	38,128	
Assigned			4,173
Total fund balances	<u>112,369</u>	<u>38,128</u>	<u>4,173</u>
Total liabilities and fund balances	<u>\$ 113,391</u>	<u>\$ 38,128</u>	<u>\$ 4,173</u>

Totals

\$ 155,692
\$ 155,692

\$ 1,022
1,022

150,497
4,173
154,670

\$ 155,692

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted Capital Outlay</u>	<u>Building Renewal</u>	<u>Bus Replacement</u>
Revenues:			
Other local	\$ 2,336	\$ 415	\$ 46
Total revenues	<u>2,336</u>	<u>415</u>	<u>46</u>
Expenditures:			
Capital outlay	<u>87</u>	<u> </u>	<u> </u>
Total expenditures	<u>87</u>	<u> </u>	<u> </u>
Changes in fund balances	<u>2,249</u>	<u>415</u>	<u>46</u>
Fund balances, beginning of year	110,120	37,713	4,127
Fund balances, end of year	<u>\$ 112,369</u>	<u>\$ 38,128</u>	<u>\$ 4,173</u>

Totals

\$ 2,797
2,797

87
87

2,710

151,960

\$ 154,670
154,670

**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, 2013**

	School Plant		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 4,555	\$ 4,555
Total revenues		<u>4,555</u>	<u>4,555</u>
Expenditures:			
Current -			
Instruction	1,017	154	863
Support services - students and staff	34,348	5,202	29,146
Support services - administration	239,268	36,237	203,031
Operation and maintenance of plant services	8,762	1,327	7,435
Capital outlay	141,605	21,446	120,159
Total expenditures	<u>425,000</u>	<u>64,366</u>	<u>360,634</u>
Excess (deficiency) of revenues over expenditures	<u>(425,000)</u>	<u>(59,811)</u>	<u>365,189</u>
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(425,000)</u>	<u>(59,811)</u>	<u>365,189</u>
Fund balances, beginning of year		414,825	414,825
Fund balances (deficits), end of year	<u>\$ (425,000)</u>	<u>\$ 355,014</u>	<u>\$ 780,014</u>

Unrestricted Capital Outlay			Soft Capital Allocation		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 2,336	\$ 2,336	\$	\$	\$
	2,336	2,336			
				10,579	(10,579)
136,760	87	136,673	20,085		20,085
136,760	87	136,673	20,085	10,579	9,506
(136,760)	2,249	139,009	(20,085)	(10,579)	9,506
				(171,260)	(171,260)
				(171,260)	(171,260)
(136,760)	2,249	139,009	(20,085)	(181,839)	(161,754)
	110,120	110,120		177,537	177,537
\$ (136,760)	\$ 112,369	\$ 249,129	\$ (20,085)	\$ (4,302)	\$ 15,783

**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, 2013**

	Building Renewal		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 415	\$ 415
Total revenues		<u>415</u>	<u>415</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay	37,503		37,503
Total expenditures	<u>37,503</u>		<u>37,503</u>
Excess (deficiency) of revenues over expenditures	<u>(37,503)</u>	<u>415</u>	<u>37,918</u>
Other financing sources (uses):			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(37,503)</u>	<u>415</u>	<u>37,918</u>
Fund balances, beginning of year		37,713	37,713
Fund balances (deficits), end of year	<u>\$ (37,503)</u>	<u>\$ 38,128</u>	<u>\$ 75,631</u>

Bus Replacement			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 46	\$ 46	\$	\$ 7,352	\$ 7,352
	46	46		7,352	7,352
			1,017	10,733	(9,716)
			34,348	5,202	29,146
			239,268	36,237	203,031
			8,762	1,327	7,435
			335,953	21,533	314,420
			619,348	75,032	544,316
	46	46	(619,348)	(67,680)	551,668
				(171,260)	(171,260)
				(171,260)	(171,260)
	46	46	(619,348)	(238,940)	380,408
	4,127	4,127		744,322	744,322
\$	\$ 4,173	\$ 4,173	\$ (619,348)	\$ 505,382	\$ 1,124,730

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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 ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2013**

	<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 ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013**

	<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	\$ 1,653,831	\$ 1,653,831	\$ 500
Total assets	<u>\$ 500</u>	<u>\$ 1,653,831</u>	<u>\$ 1,653,831</u>	<u>\$ 500</u>
<u>Liabilities</u>				
Deposits held for others	\$ 500	\$ 1,653,831	\$ 1,653,831	\$ 500
Total liabilities	<u>\$ 500</u>	<u>\$ 1,653,831</u>	<u>\$ 1,653,831</u>	<u>\$ 500</u>
<u>EMPLOYEE WITHHOLDING</u>				
<u>Assets</u>				
Cash and investments	\$ 19,844	\$ 125,849	\$ 125,849	\$ 19,844
Total assets	<u>\$ 19,844</u>	<u>\$ 125,849</u>	<u>\$ 125,849</u>	<u>\$ 19,844</u>
<u>Liabilities</u>				
Deposits held for others	\$ 19,844	\$ 125,849	\$ 125,849	\$ 19,844
Total liabilities	<u>\$ 19,844</u>	<u>\$ 125,849</u>	<u>\$ 125,849</u>	<u>\$ 19,844</u>
<u>COBRA CLEARING</u>				
<u>Assets</u>				
Cash and investments	\$ 1,526	\$ 6,154	\$ 6,154	\$ 1,526
Total assets	<u>\$ 1,526</u>	<u>\$ 6,154</u>	<u>\$ 6,154</u>	<u>\$ 1,526</u>
<u>Liabilities</u>				
Deposits held for others	\$ 1,526	\$ 6,154	\$ 6,154	\$ 1,526
Total liabilities	<u>\$ 1,526</u>	<u>\$ 6,154</u>	<u>\$ 6,154</u>	<u>\$ 1,526</u>
<u>TOTAL AGENCY</u>				
<u>Assets</u>				
Cash and investments	\$ 21,870	\$ 1,785,834	\$ 1,785,834	\$ 21,870
Total assets	<u>\$ 21,870</u>	<u>\$ 1,785,834</u>	<u>\$ 1,785,834</u>	<u>\$ 21,870</u>
<u>Liabilities</u>				
Deposits held for others	\$ 21,870	\$ 1,785,834	\$ 1,785,834	\$ 21,870
Total liabilities	<u>\$ 21,870</u>	<u>\$ 1,785,834</u>	<u>\$ 1,785,834</u>	<u>\$ 21,870</u>

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Position:					
Net investment in capital assets	\$ 271,201	\$ 319,674	\$ 376,262	\$ 424,143	\$ 440,592
Restricted	448,506	536,242	748,007	301,828	469,682
Unrestricted	1,379,879	1,452,886	1,225,092	1,472,192	1,544,706
Total net position	\$ 2,099,586	\$ 2,308,802	\$ 2,349,361	\$ 2,198,163	\$ 2,454,980
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net Position:					
Net investment in capital assets	\$ 237,050	\$ 218,823	\$ 765,949	\$ 790,933	\$ 856,797
Restricted	888,766	912,999	965,277	928,703	904,539
Unrestricted	1,496,278	1,291,031	347,831	366,230	481,124
Total net position	\$ 2,622,094	\$ 2,422,853	\$ 2,079,057	\$ 2,085,866	\$ 2,242,460

Source: The source of this information is the District'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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses					
Instruction	\$ 833,386	\$ 1,262,553	\$ 1,317,272	\$ 1,650,752	\$ 1,572,024
Support services - students and staff	1,302,698	1,699,286	1,896,939	2,001,296	1,752,237
Support services - administration	615,509	633,645	728,883	635,588	552,864
Operation and maintenance of plant services	21,262	35,467	32,132	38,236	39,444
Student transportation services	206,745	160,424	168,535	58,115	138,358
Operation of non-instructional services	1,139	137	951	3,398	17,844
Total expenses	<u>2,980,739</u>	<u>3,791,512</u>	<u>4,144,712</u>	<u>4,387,385</u>	<u>4,072,771</u>
Program Revenues					
Charges for services:					
Instruction	46,779	44,994	6,991	356	
Support services - students and staff	452,478	677,895	642,459	398,283	413,913
Other activities	228,065	251,281	249,045	221,477	413,913
Operating grants and contributions	1,088,295	1,846,476	2,321,429	2,561,465	2,163,603
Capital grants and contributions	11,390	13,217	16,647	14,325	33,206
Total program revenues	<u>1,827,007</u>	<u>2,833,863</u>	<u>3,236,571</u>	<u>3,195,906</u>	<u>3,024,635</u>
Net (Expense)/Revenue	<u>\$ (1,153,732)</u>	<u>\$ (957,649)</u>	<u>\$ (908,141)</u>	<u>\$ (1,191,479)</u>	<u>\$ (1,048,136)</u>

(Continued)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses					
Instruction	\$ 1,605,284	\$ 966,212	\$ 913,986	\$ 1,037,381	\$ 943,735
Support services - students and staff	1,716,069	1,338,225	1,209,102	903,616	534,442
Support services - administration	474,858	568,049	584,978	771,535	702,561
Operation and maintenance of plant services	47,524	55,315	46,162	74,112	78,754
Student transportation services	185,147	146,583	177,704	156,394	110,249
Operation of non-instructional services					
Total expenses	<u>4,028,882</u>	<u>3,074,384</u>	<u>2,931,932</u>	<u>2,943,038</u>	<u>2,369,741</u>
Program Revenues					
Charges for services:					
Instruction	90,939	121,037	74,904	50,181	52,723
Support services - students and staff	460,985	357,515	45,518	24,952	6,513
Other activities	23,557	82,026	50,576	75,380	41,184
Operating grants and contributions	2,276,264	1,256,894	1,416,147	1,098,668	859,544
Capital grants and contributions	40,219	20,624	38,107	139,542	51,682
Total program revenues	<u>2,891,964</u>	<u>1,838,096</u>	<u>1,625,252</u>	<u>1,388,723</u>	<u>1,011,646</u>
Net (Expense)/Revenue	<u>\$ (1,136,918)</u>	<u>\$ (1,236,288)</u>	<u>\$ (1,306,680)</u>	<u>\$ (1,554,315)</u>	<u>\$ (1,358,095)</u>

Source: The source of this information is the District'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.

**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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net (Expense)/Revenue	\$ (1,153,732)	\$ (957,649)	\$ (908,141)	\$ (1,191,479)	\$ (1,048,136)
General Revenues:					
Investment income	48,649	11,971	17,235	30,167	40,458
Unrestricted county aid	60,565	59,318	57,272	48,652	
Unrestricted state aid	828,851	837,912	964,961	757,581	1,137,864
Unrestricted federal aid	6,451	7,889	19,871	98,262	9,789
Total general revenues	944,516	917,090	1,059,339	934,662	1,188,111
Changes in Net Position	\$ (209,216)	\$ (40,559)	\$ 151,198	\$ (256,817)	\$ 139,975

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net (Expense)/Revenue	\$ (1,136,918)	\$ (1,236,288)	\$ (1,306,680)	\$ (1,554,315)	\$ (1,358,095)
General Revenues:					
Investment income	110,765	78,618	57,660	27,794	15,870
Unrestricted county aid		587	149,033	162,061	154,456
Unrestricted state aid	1,213,927	1,161,915	1,093,178	1,207,866	1,124,947
Unrestricted federal aid	11,467	10,811			
Special item - gain on sale of land		34,056			
Total general revenues	<u>1,336,159</u>	<u>1,285,987</u>	<u>1,299,871</u>	<u>1,397,721</u>	<u>1,295,273</u>
Changes in Net Position	<u>\$ 199,241</u>	<u>\$ 49,699</u>	<u>\$ (6,809)</u>	<u>\$ (156,594)</u>	<u>\$ (62,822)</u>

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

Notes: The Arizona State Legislature suspended county equalization payments to school districts for fiscal years 2006-07 through 2008-09.

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

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:					
Nonspendable	\$	\$	\$ 4,346	\$	\$
Restricted				62,129	
Assigned		1,149	1,149		
Unassigned	680,663	709,322	532,767	54,655	
Unreserved					48,646
Total General Fund	<u>\$ 680,663</u>	<u>\$ 710,471</u>	<u>\$ 538,262</u>	<u>\$ 116,784</u>	<u>\$ 48,646</u>
All Other Governmental Funds:					
Nonspendable	\$	\$	\$ 22,346	\$	\$
Restricted	514,513	508,293	1,178,443	899,428	
Committed	315,104	414,119	289,575		
Assigned	359,187	418,952	4,102	817,263	
Unassigned	(447)				
Reserved					8,660
Unreserved, reported in:					
Special revenue funds					1,521,354
Capital projects funds					469,682
Total all other governmental funds	<u>\$ 1,188,357</u>	<u>\$ 1,341,364</u>	<u>\$ 1,494,466</u>	<u>\$ 1,716,691</u>	<u>\$ 1,999,696</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund:					
Reserved	\$	\$	\$ 8,929	\$	\$
Unreserved	42,655	(76,656)	(109,769)	(19,707)	47,904
Total General Fund	<u>\$ 42,655</u>	<u>\$ (76,656)</u>	<u>\$ (100,840)</u>	<u>\$ (19,707)</u>	<u>\$ 47,904</u>
All Other Governmental Funds:					
Reserved	\$ 9,154	\$ 9,343	\$ 2,233	\$	\$ 13,222
Unreserved, reported in:					
Special revenue funds	1,545,880	1,383,808	478,234	396,908	415,514
Capital projects funds	879,612	912,999	965,277	928,703	904,539
Total all other governmental funds	<u>\$ 2,434,646</u>	<u>\$ 2,306,150</u>	<u>\$ 1,445,744</u>	<u>\$ 1,325,611</u>	<u>\$ 1,333,275</u>

Source: The source of this information is the District'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.

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

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Federal sources:					
Federal grants	\$ 1,084,273	\$ 1,842,659	\$ 2,277,956	\$ 2,520,278	\$ 2,143,782
Taylor Grazing	6,451	7,889	7,138	7,104	9,789
State Fiscal Stabilization (ARRA)			7,723	90,733	
Total federal sources	<u>1,090,724</u>	<u>1,850,548</u>	<u>2,292,817</u>	<u>2,618,115</u>	<u>2,153,571</u>
State sources:					
State equalization assistance	661,447	588,891	696,348	623,351	873,128
State grants	108,658	96,993	232,214	4,216	97,631
Other revenues	74,158	155,845	40,505	134,230	171,436
Total state sources	<u>844,263</u>	<u>841,729</u>	<u>969,067</u>	<u>761,797</u>	<u>1,142,195</u>
Local sources:					
County aid	60,565	59,358	57,273	48,652	
Investment income	48,649	11,971	15,015	30,166	40,248
Other revenues	727,322	987,347	961,738	671,838	571,761
Total local sources	<u>836,536</u>	<u>1,058,676</u>	<u>1,034,026</u>	<u>750,656</u>	<u>612,009</u>
Total revenues	<u><u>\$ 2,771,523</u></u>	<u><u>\$ 3,750,953</u></u>	<u><u>\$ 4,295,910</u></u>	<u><u>\$ 4,130,568</u></u>	<u><u>\$ 3,907,775</u></u>

(Continued)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Federal sources:					
Federal grants	\$ 2,282,967	\$ 1,105,999	\$ 1,237,097	\$ 1,063,877	\$ 732,266
Taylor Grazing	11,467	10,811	16,897		20,549
Total federal sources	<u>2,294,434</u>	<u>1,116,810</u>	<u>1,253,994</u>	<u>1,063,877</u>	<u>752,815</u>
State sources:					
State equalization assistance	866,898	828,333	849,831	1,015,249	911,554
State grants	127,887	344,295	285,645	174,456	158,401
School Facilities Board	1,164			2,733	16,900
Other revenues	251,494	160,806	164,203	188,004	192,019
Total state sources	<u>1,247,443</u>	<u>1,333,434</u>	<u>1,299,679</u>	<u>1,380,442</u>	<u>1,278,874</u>
Local sources:					
County aid		587	149,033	162,061	154,456
Investment income	110,765	86,165	58,031	27,974	15,870
Other revenues	575,481	1,062,281	170,627	150,333	100,420
Total local sources	<u>686,246</u>	<u>1,149,033</u>	<u>377,691</u>	<u>340,368</u>	<u>270,746</u>
Total revenues	<u>\$ 4,228,123</u>	<u>\$ 3,599,277</u>	<u>\$ 2,931,364</u>	<u>\$ 2,784,687</u>	<u>\$ 2,302,435</u>

Source: The source of this information is the District'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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenditures:					
Current -					
Instruction	\$ 811,878	\$ 1,253,573	\$ 1,281,795	\$ 1,535,126	\$ 1,391,759
Support services - students and staff	1,291,185	1,668,159	1,903,654	1,945,794	1,716,483
Support services - administration	606,691	629,270	717,402	612,201	538,994
Operation and maintenance of plant services	18,414	26,434	38,446	26,388	36,091
Student transportation services	162,705	120,893	125,337	3,910	127,380
Operation of non-instructional services					17,844
Capital outlay	63,465	6,825	56,715	213,356	507,689
Total expenditures	<u>\$ 2,954,338</u>	<u>\$ 3,705,154</u>	<u>\$ 4,123,349</u>	<u>\$ 4,336,775</u>	<u>\$ 4,336,240</u>
Expenditures for capitalized assets	\$ 6,507	\$	\$ 9,150	\$ 43,379	\$ 278,573
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenditures:					
Current -					
Instruction	\$ 1,546,890	\$ 849,379	\$ 862,864	\$ 957,543	\$ 875,165
Support services - students and staff	1,656,671	1,293,356	1,127,304	726,225	526,053
Support services - administration	458,326	529,481	576,251	713,498	635,432
Operation and maintenance of plant services	44,171	42,032	51,739	64,775	78,077
Student transportation services	117,367	106,984	142,569	133,442	81,769
Operation of non-instructional services					
Capital outlay	156,702	185,733	142,799	251,257	212,756
Total expenditures	<u>\$ 3,980,127</u>	<u>\$ 3,006,965</u>	<u>\$ 2,903,526</u>	<u>\$ 2,846,740</u>	<u>\$ 2,409,252</u>
Expenditures for capitalized assets	\$ 77,411	\$	\$ 69,824	\$ 5,023	\$ 89,241
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

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

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Excess (deficiency) of revenues over expenditures	\$ (182,815)	\$ 45,799	\$ 172,561	\$ (206,207)	\$ (428,465)
Other financing sources (uses):					
Transfers in	5,014	21,079	9,321	140,011	113,746
Transfers out	(5,014)	(21,079)	(9,321)	(140,011)	(113,746)
Total other financing sources (uses)	—	—	—	—	—
Changes in fund balances	\$ (182,815)	\$ 45,799	\$ 172,561	\$ (206,207)	\$ (428,465)
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Excess (deficiency) of revenues over expenditures	\$ 247,996	\$ 592,312	\$ 27,838	\$ (62,053)	\$ (106,817)
Other financing sources (uses):					
Transfers in	24,159	12,351	14,563	10,820	
Transfers out	(24,159)	(12,351)	(14,563)	(10,820)	
Total other financing sources (uses)	—	—	—	—	—
Changes in fund balances	\$ 247,996	\$ 592,312	\$ 27,838	\$ (62,053)	\$ (106,817)

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

**PIMA COUNTY SCHOOL RESERVE FUND
 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							
2013	\$ 5,159,015,638	\$ 3,839,484,216	\$ 839,448,599	\$ 1,666,736,531	\$ 8,171,211,922	4.20	\$ 77,731,085,615	10.51	%
2012	5,444,942,060	3,863,597,681	758,644,724	1,585,233,670	8,481,950,795	4.20	80,205,310,766	10.58	
2011	5,632,159,208	3,315,923,891	816,572,007	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					5,194,841,437	4.79	52,366,493,761	9.92	
2005					5,633,321,019	4.89	48,823,551,330	11.54	
2004					5,233,293,681	4.89	44,455,033,701	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
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASS
LAST TEN FISCAL YEARS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial, Industrial, Utilities and Mining	\$ 2,563,908,619	\$ 2,535,326,835	\$ 2,661,402,586	\$ 2,827,809,494	\$ 2,534,687,124
Agricultural and Vacant	495,338,152	548,039,133	647,171,599	705,862,338	722,576,881
Residential (Owner Occupied)	4,036,698,072	4,431,202,754	4,988,337,113	5,250,670,779	5,330,678,881
Residential (Rental)	1,015,495,228	922,058,153	1,000,887,566	1,004,537,864	955,352,684
Railroad, Private Cars and Airlines	8,461,487	7,283,927	7,543,678	7,292,676	7,883,807
Historical Property	51,228,912	37,854,596	40,192,903	44,390,933	40,877,057
Certain Government Property Improvements	81,452	185,397	58,673	55,557	
Total	\$ 8,171,211,922	\$ 8,481,950,795	\$ 9,345,594,118	\$ 9,840,619,641	\$ 9,592,056,434

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Commercial, Industrial, Utilities and Mining	\$ 2,373,675,894	\$ 2,123,574,719	\$ 1,927,573,052	\$ 1,846,982,404	\$ 1,840,543,995
Agricultural and Vacant	612,335,091	482,812,393	388,945,276	376,072,108	349,265,683
Residential (Owner Occupied)	4,421,684,326	3,606,160,638	3,164,756,655	2,894,517,744	2,568,708,190
Residential (Rental)	791,211,113	640,391,151	552,889,152	491,863,673	451,729,071
Railroad, Private Cars and Airlines	8,226,125	10,410,673	10,147,794	9,304,471	9,838,694
Historical Property	29,366,067	24,454,305	22,141,663	14,561,964	13,208,048
Certain Government Property Improvements				18,655	
Total	\$ 8,236,498,616	\$ 6,887,803,879	\$ 6,066,453,592	\$ 5,633,321,019	\$ 5,233,293,681

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

**PIMA COUNTY SCHOOL RESERVE FUND
PROPERTY TAX ASSESSMENT RATIOS
LAST TEN FISCAL YEARS**

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial, Industrial, Utilities and Mining	31 %	30 %	28 %	29 %	26 %
Agricultural and Vacant	6	6	7	7	8
Residential (Owner Occupied)	49	52	53	53	56
Residential (Rental)	12	11	11	10	10
Railroad, Private Cars and Airlines					
Historical Property	<u>1</u>				
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Commercial, Industrial, Utilities and Mining	29 %	31 %	32 %	33 %	35 %
Agricultural and Vacant	7	7	6	7	7
Residential (Owner Occupied)	54	52	52	51	49
Residential (Rental)	10	9	9	9	9
Railroad, Private Cars and Airlines					
Historical Property					
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2012	989,569	\$ 34,596,360	\$ 34,961	6.7 %
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

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Research. The source of the "Population" and "Unemployment Rate" information from 2003 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center. For 2011 and 2012, the source of the information is the Arizona Office of Employment

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

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
University of Arizona	10,846	2.59 %	10,078	2.34 %
Raytheon Missile Systems	10,300	2.46	10,171	2.36
Davis Monthan AFB	9,100	2.17	7,692	1.78
State of Arizona	8,807	2.10	9,753	2.26
Wal-Mart Stores, Inc.	7,450	1.78	4,420	1.02
Tucson Unified School District	6,790	1.62	7,690	1.78
US Border Patrol	6,500	1.55	2,189	0.51
University of Arizona Health Network	6,099	1.46	2,700	0.63
Pima County	6,076	1.45	6,987	1.62
Freeport-McMoran Mining	5,463	1.30		
Fort Huachuca	5,096	1.22	11,939	2.77
City of Tucson	4,585	1.09	5,495	1.27
Tohono O'odham Nation	4,350	1.04	3,515	0.81
Carondelet Health Network	3,668	0.88	2,689	0.62
Tucson Medical Center	2,977	0.71	2,562	0.59
Fry's Food Stores	2,700	0.64		
Total	<u>100,807</u>	<u>24.06 %</u>	<u>87,880</u>	<u>20.36 %</u>
Total employment	<u>418,900</u>		<u>431,400</u>	

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

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

	Full-time Equivalent Employees as of June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</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	7	13	10	11	12
Total instruction	<u>7</u>	<u>13</u>	<u>10</u>	<u>11</u>	<u>12</u>
Support and Administration					
Service workers	13	16	30	29	29
Total support and administration	<u>13</u>	<u>16</u>	<u>30</u>	<u>29</u>	<u>29</u>
Total	<u><u>22</u></u>	<u><u>31</u></u>	<u><u>42</u></u>	<u><u>42</u></u>	<u><u>43</u></u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Supervisory					
Assistant principals	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total supervisory	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Instruction					
Teachers	<u>12</u>	<u>13</u>	<u>14</u>	<u>17</u>	<u>17</u>
Total instruction	<u>12</u>	<u>13</u>	<u>14</u>	<u>17</u>	<u>17</u>
Support and Administration					
Service workers	<u>27</u>	<u>26</u>	<u>20</u>	<u>18</u>	<u>15</u>
Total support and administration	<u>27</u>	<u>26</u>	<u>20</u>	<u>18</u>	<u>15</u>
Total	<u><u>41</u></u>	<u><u>41</u></u>	<u><u>36</u></u>	<u><u>37</u></u>	<u><u>34</u></u>

Source: The source of this information is District personnel records.

**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
2013	88	\$ 2,890,873	\$ 32,851	(17.39) %	\$ 2,980,739	\$ 33,872	(16.92) %	7	12.6
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

Source: The source of this information is the District'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>2013</u>	<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>Schools</u>										
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

Source: The source of this information is the District'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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise Pima County School Reserve Fund's basic financial statements, and have issued our report thereon dated November 18, 2013. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 65.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pima County School Reserve Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pima County School Reserve Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Pima County School Reserve Fund's internal control.

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 Reserve's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Heinfeld, Meech & Co., P.C.

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

November 18, 2013