

**PIMA COUNTY SCHOOL RESERVE FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PIMA COUNTY SCHOOL RESERVE FUND

TUCSON, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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November 28, 2016

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, 2016.

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, 2016, 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, 2016, 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.

The Pima County School Superintendent's Office promotes educational excellence
through leadership, service, and collaboration.

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, charter schools, and municipal and county library districts 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 ESA also provides similar programs to individual private schools and homeschool parents making similar academic programs available to their teachers and students. The Pima Accommodation School District No. 00 ("District") provides an education program for delinquent 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 through an Individualized Education Plan (IEP) located within the Pima County Jail. The District typically provides education services to approximately 100 individuals.

The activity of the Reserve is predominantly dependent on the services provided to outside entities, primarily area school district and charter schools, to provide educational support services. The predominant focus of the ESA's services has progressed away from the Arizona College and Career Ready Standards and towards providing services targeted to individual needs of our educators and an increased focus on STEM-related education and programs to enhance support services to our students through a "healthy and safe schools" initiative. The Reserve programs are developed in a way that they provide a more focused and meaningful support system for teachers to both educate students using innovative strategies, but to also support the concept of the "whole child."

As the population center continues to move beyond the traditional core of the City of Tucson, it is important that our programs are developed in such a way that engage our surrounding communities and their evolving needs. More importantly, the development of strategic partnerships with groups that focus on support system for the whole County are pivotal. It provides the Reserve the ability to target both human and financial resources in a meaningful way.

The activity of the Pima County School Reserve Fund has redirected its focus away from the economy of the Pima County and the County's population growth towards a greater service/needs-based approach with our school districts, charter schools and our community partners. Our successful professional development programs to support the implementation of the Arizona College and Career Ready Standards has allowed us to refocus our efforts and resources to new programs and strategies. The focus now is to provide support with programs in science, technology, engineering and mathematics, in promoting healthy and safe schools and targeting professional development in specific areas to literacy and cognitive coaching through community partnerships.

Pima County is home to both the State's second largest school district and the second largest concentration of charter schools in Arizona. With an estimated total of 162,000 students in public, private and homeschool settings in Pima County, the ESA is continuously evolving and focusing its efforts and promoting its programs for the support of all our students of diverse educational backgrounds. The ESA continues to foster new relationships and develop existing ones on a statewide and regional level to promote opportunities for teachers, students, and parents. The ability to leverage resources in an increasingly competitive environment requires the ESA to maximize the ability to obtain these resources by leveraging the expertise from these partnerships. Our LEAs and the ESA understand that they can no longer perform the holistic support for our students completely independent from community partnerships.

The Reserve's financial planning and control are dependent on the ability to ensure proper budgeting of its somewhat limited expenditure authority. As has been the norm, the objective is always to adhere to proper budgetary controls to ensure compliance with the annual expenditure budget approved by the Board of Supervisors and executed by the Pima County School Superintendent.

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 over expenditures 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. A significant portion of its revenues are received through enterprise services provided to LEAs and community partners as authorized by State law. The Reserve's reliance on federal and state contributions certainly determines the financial activity and decisions surrounding programmatic implementation. This is both related to direct contributions to the Reserve and through indirect contributions to the community partners that work with the Reserve. Although the Reserve has not experienced unplanned negative shifts in its stream of financial resources, any negative shift can certainly extend to the financial outlook and the operational planning of the Reserve.

At the end of fiscal year 2016, the overall financial health of Arizona school districts and charter schools has certainly seen more stabilization and moderated improvement. Arizona school districts and charters schools were provide access to new financial resources through Proposition 123, which was approved by Arizona voters in May 2016. Proposition 123 was a settlement to the ongoing litigation of Cave Creek Unified School District v. DeWitt et.al. This provide a sudden influx of revenues and budget capacity. This allowed other resources that public schools were dedicating towards current educational program and support services to be freed up with the new influx of funding from Proposition 123. The Reserve has seen a direct and indirect benefit to this change. In particular, the Accommodation District's funds are subject to the same equalization assistance formulas for traditional school districts. They have equally benefits from the influx of new revenues from this increased budgetary authority from Arizona voters. As the Reserve has refocused its efforts away from Race to the Top and Arizona College and Career Ready initiatives, the new programmatic initiatives have allowed the Reserve to garner financial support from community partners such as the Thomas R. Brown Foundation and the Governor's Office of Youth, Faith and Family to promote and expand our work in other areas beyond the previously mentioned initiatives. Our Southern Arizona Regional Education Center, which partners with Cochise and Santa Cruz Counties, continues its work to provide expanded opportunities to teachers and students beyond the boundaries of Pima County and promote a more regional support for all Southern Arizona educators and their students.

With the advent of the Every Student Succeeds Act (ESSA), the focus away from "highly qualified" teachers has now refocused towards both recruitment and retention of appropriately certified teachers to serve all our students in Pima County. School districts and charter schools will need to continue to find new efforts in refocusing towards recruitment and retention, with highly qualified being an "added bonus" for our students. The shortage of certified, qualified teachers in Arizona has become no less than pandemic. The Reserve will continue to be at the forefront of evolving and planning services to ensure we meet the challenge of retaining our local teachers and recruiting teachers through both traditional and non-traditional teacher preparation programs.

Long-Term Financial Planning As in years past, one the Reserve’s primary function is to ensure the provision of instructional services to the students at the Pima Accommodation School District. Over the past year, the District’s instructional programs have seen a significant amount of reinvestment in both human capital and instructional resources. A new administrator with a vastly new faculty and staff have promoted new strategies to work with students who are generally considered “at-risk.” The District’s new partnerships and refocus on the well-being of its students has garnered new successes and a new direction of the District’s faculty, staff and students. The realignment of resources has certainly created unique challenges, but also promising opportunities. The District has expanded its instructional technology and has taken advantage of E-Rate 2.0 to expand its ability to work with students in a Secure Care setting while providing them innovative instructional programs to help them transition to a traditional school model. The new investment and re-prioritization of funds has been able to allow the District to venture into new models in working with at-risk youth that have not been experienced previously. This will create some unique sustainability challenges that will require the District to re-double its efforts in the future to maintain the new focus on teaching at-risk youth.

The implementation and distribution of funds under the ESSA will create new opportunities and new challenges. The State’s implementation plan of ESSA programs, the use of its funds and the availability of these will mean having to restructure the focus of the programs provided by the ESA within the Reserve. The new Pima County School Superintendent will focus programs into new areas that have not been part of the “traditional” brand of service for the ESA. However, this creates a new and unique opportunity to find areas of support that are part of the new priorities under ESSA and the State’s plan. The Reserve’s ongoing success of developing services supported through enterprise functions will continue to be the basis for ensuring success of the work within the Reserve. These funds will continue to fund existing successes and become an initial investment for future initiatives until those program initiatives move forward of their own accord.

This Comprehensive Annual Financial Report is the last under the direction of the current Pima County School Superintendent. As the voters of Pima County elect a new Superintendent to become the chief education officer, the direction of the current programs and future initiatives will mean new goals, plans and revamped strategic planning. In the past 16 years, the Reserve has developed programs and services that have garnered financial success and garnered attention from the community. As a new Superintendent is elected going into fiscal year 2017, the primary duty to educate students within the Accommodation District, to provide high quality, affordable teacher training programs and all while ensure being a proper steward of the dollars used to sustain these initiatives in future years.

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, 2015. This was the twenty-first 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 ended June 30, 2016 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, 2015.**

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



Brenda Burkett

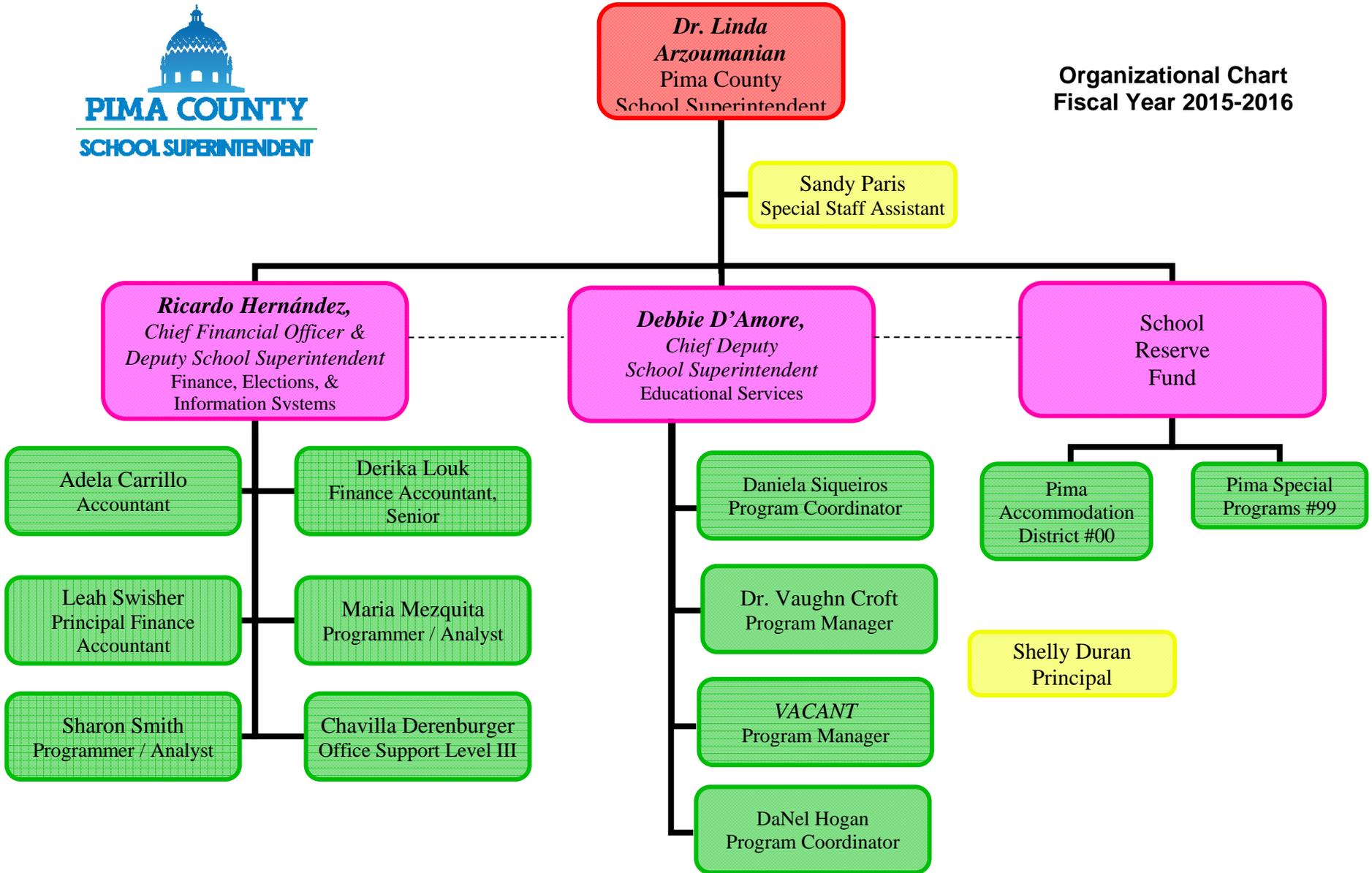
Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director



**Organizational Chart
Fiscal Year 2015-2016**



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, 2016, 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 entity'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 entity'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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, 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, 2016, 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, budgetary comparison information, and net pension liability information, as listed in the table of contents, 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 Section and Statistical Section 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 28, 2016, 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.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
November 28, 2016

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, 2016**

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, 2016. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. 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 \$65,687 which represents a nine percent decrease from the prior fiscal year primarily as a result of the use of beginning balance resources for current year operations.
- General revenues accounted for \$674,232 in revenue, or 39 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.1 million or 61 percent of total current fiscal year revenues.
- The Reserve had approximately \$1.8 million in expenses related to governmental activities, a decrease of 11 percent from the prior fiscal year.
- Among major funds, the General Fund had \$764,227 in current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$883,822 in expenditures. The General Fund's fund balance decreased from \$222,007 at the prior fiscal year end, to \$111,564 at the end of the current fiscal year.
- The Fee for Service Fund had \$347,187 in current fiscal year expenditures. The Fee for Service Fund's fund balance decreased \$30,270.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

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, and student transportation 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 are governmental 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, 2016**

OVERVIEW OF FINANCIAL STATEMENTS

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, Special Education Grants, E-Rate, 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.

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 and pension plan. 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. Schedules for the pension plan have been provided as required supplementary information.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

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, liabilities and deferred inflows exceeded assets and deferred outflows by \$784,475 at the current fiscal year end.

The investment in capital assets (e.g. land improvements; buildings and improvements; vehicles, furniture, and equipment) comprises 19 percent of the Reserve's net 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, 2016 and June 30, 2015.

	As of <u>June 30, 2016</u>	As of <u>June 30, 2015</u>
Current assets	\$ 1,305,191	\$ 1,485,879
Capital assets, net	150,363	198,150
Total assets	<u>1,455,554</u>	<u>1,684,029</u>
Deferred outflows	<u>256,775</u>	<u>209,874</u>
Current liabilities	126,751	132,804
Long-term liabilities	<u>1,927,144</u>	<u>1,794,844</u>
Total liabilities	<u>2,053,895</u>	<u>1,927,648</u>
Deferred inflows	<u>442,909</u>	<u>685,043</u>
Net position:		
Net investment in capital assets	150,363	198,150
Restricted	496,457	494,534
Unrestricted	<u>(1,431,295)</u>	<u>(1,411,472)</u>
Total net position	<u>\$ (784,475)</u>	<u>\$ (718,788)</u>

At the end of the current fiscal year the Reserve reported a negative unrestricted net position of \$1.4 million as a result of an unfunded pension liability. Positive net position was reported in the other two categories.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

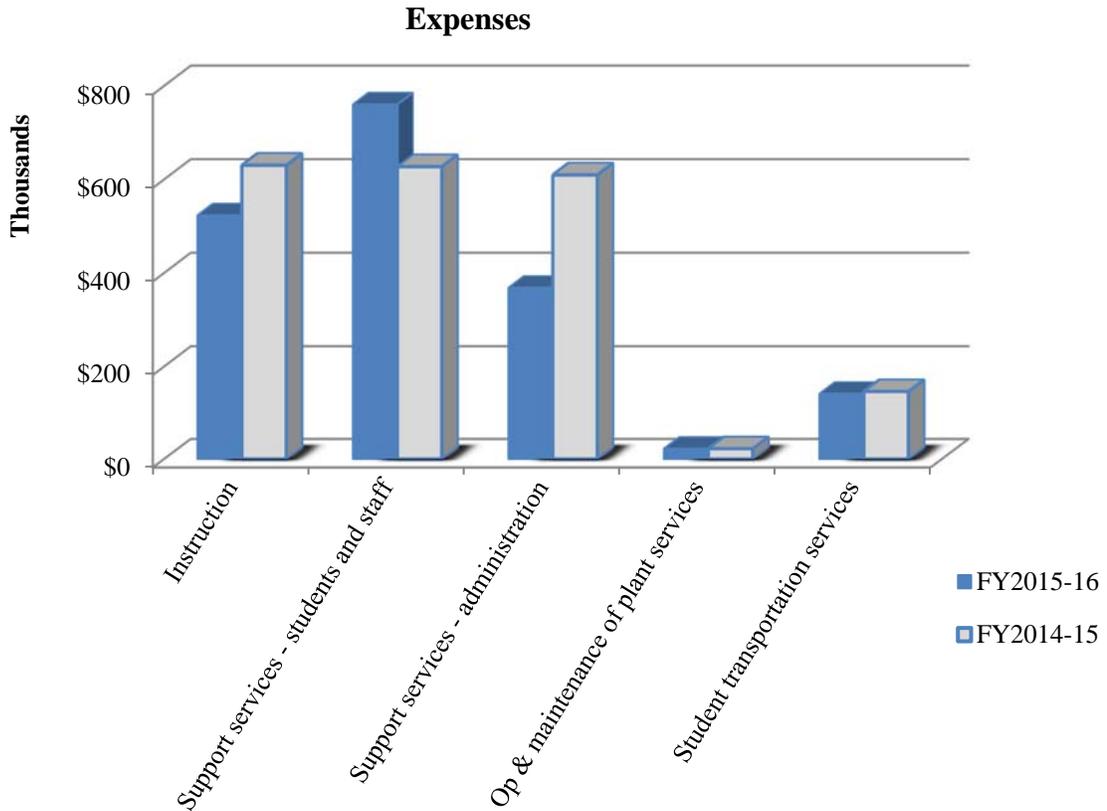
The Reserve's financial position is the product of several financial transactions including the net result of activities, the depreciation of capital assets, and the change of \$125,544 in pension liabilities.

Changes in net position. The Reserve's total revenues for the current fiscal year were \$1.7 million. The total cost of all programs and services was \$1.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 545,444	\$ 576,655
Operating grants and contributions	499,497	663,787
Capital grants and contributions	28,949	7,683
General revenues:		
Investment income	6,998	6,527
Unrestricted county aid	53,693	53,098
Unrestricted state aid	613,541	537,301
Total revenues	<u>1,748,122</u>	<u>1,845,051</u>
Expenses:		
Instruction	522,904	630,095
Support services – students and staff	760,104	627,175
Support services – administration	368,010	609,427
Operation and maintenance of plant services	22,012	21,993
Student transportation services	140,779	145,853
Total expenses	<u>1,813,809</u>	<u>2,034,543</u>
Changes in net position	(65,687)	(189,492)
Net position, beginning	(718,788)	(529,296)
Net position, ending	<u>\$ (784,475)</u>	<u>\$ (718,788)</u>

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



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

- The \$164,290 decrease in operating grants and contributions was due to reduction in revenues from the IDEA Secure Grant, the Forest Fees Fund and a reduction of Title II funds from the Arizona Supreme Court.
- The \$241,417 decrease in support services – administration expenses was due to reduction in salary expenses due to reclassification of District staff and attrition due to retiring staff members that were not replaced.
- The \$132,929 increase in support services-students and staff was due to reclassification of District staff.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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.

	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2015</u>	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Instruction	\$ 522,904	\$ (184,413)	\$ 630,095	\$ (223,908)
Support services – students and staff	760,104	(226,383)	627,175	(77,024)
Support services – administration	368,010	(166,718)	609,427	(330,353)
Operation and maintenance of plant services	22,012	(21,626)	21,993	(9,280)
Student transportation services	140,779	(140,779)	145,853	(145,853)
Total	<u>\$1,813,809</u>	<u>\$ (739,919)</u>	<u>\$ 2,034,543</u>	<u>\$ (786,418)</u>

- The cost of all governmental activities this year was \$1.8 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$1.1 million.
- Net cost of governmental activities of \$739,919 was financed by general revenues, which are made up primarily of state aid of \$613,541.

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 \$1.2 million, a decrease of \$174,635 primarily due to expenditures exceeding revenues due to a reduction in federal grant funding.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE RESERVE'S FUNDS

The General Fund is the principal operating fund of the District. The fund balance decreased \$110,443 in the General Fund to \$111,564 as of fiscal year end. General Fund revenues increased \$29,250 and General Fund expenditures decreased \$199,419 as a result of a reduction in support services – administration expenditures due to reclassification of staff to other functional areas of the budget.

E-Rate Fund revenues decreased \$2,108 and expenditures increased \$18,396.

Special Education Grants Fund revenues increased \$29,931 and expenditures increased \$31,656.

Fee for Service Fund revenues increased \$29,936 and expenditures increased \$98,858.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Reserve revised the General Fund annual expenditure budget due to the passage of Proposition 123 by voters in May 2016. The difference between the original budget and the final amended budget was a \$6,179 decrease, or one percent.

Significant variances for the final amended budget and actual revenues resulted from the Reserve not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the Reserve's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The unfavorable variance of \$24,671 in support services – administration was a result of temporary hiring during the first two quarters of the fiscal year to support finance. These positions were later not filled.
- The favorable variance of \$75,267 in student transportation was a result of decrease of cost for repairs and personnel expenses in providing transportation services in the Unorganized Territory transportation program.

**PIMA COUNTY SCHOOL RESERVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the Reserve had invested \$949,069 in capital assets, including land improvements, buildings, buses and other vehicles, computers, and other equipment. Total depreciation expense for the current fiscal year was \$47,787. The net capital asset balance was \$150,363 at June 30, 2016, and \$198,150 at June 30, 2015. 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 7.

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 2016-17 budget. Among them:

- Available fiscal year 2015-16 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 2016-17. Budgeted expenditures in the General Fund increased \$29,299 to \$705,664 in fiscal year 2016-17. No new programs were added to the 2016-17 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, 2016**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,159,410
Accounts receivable	17,779
Due from governmental entities	124,467
Prepaid items	3,535
Total current assets	1,305,191
Noncurrent assets:	
Capital assets, net of accumulated depreciation	150,363
Total noncurrent assets	150,363
Total assets	1,455,554
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan items	256,775
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	63,629
Accrued payroll and employee benefits	60,210
Compensated absences payable	28,499
Unearned revenues	2,912
Total current liabilities	155,250
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,898,645
Total noncurrent liabilities	1,898,645
Total liabilities	2,053,895
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension plan items	442,909
<u>NET POSITION</u>	
Investment in capital assets	150,363
Restricted for:	
Federal and state projects	380,117
Special purposes	45,659
Capital outlay	70,681
Unrestricted	(1,431,295)
Total net position	\$ (784,475)

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, 2016**

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	\$ 522,904	\$ 95,126	\$ 214,416	\$ 28,949	\$ (184,413)
Support services - students and staff	760,104	315,345	218,376		(226,383)
Support services - administration	368,010	134,973	66,319		(166,718)
Operation and maintenance of plant services	22,012		386		(21,626)
Student transportation services	140,779				(140,779)
Total governmental activities	<u>\$ 1,813,809</u>	<u>\$ 545,444</u>	<u>\$ 499,497</u>	<u>\$ 28,949</u>	<u>(739,919)</u>

General revenues:

Investment income	6,998
Unrestricted county aid	53,693
Unrestricted state aid	613,541
Total general revenues	<u>674,232</u>

Changes in net position (65,687)

Net position, beginning of year (718,788)

Net position, end of year \$ (784,475)

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, 2016**

	General	Special Education Grants	E-Rate
<u>ASSETS</u>			
Cash and investments	\$ 120,488	\$	\$
Accounts receivable			
Due from governmental entities	23,547	58,338	
Due from other funds			
Prepaid items	1,952		
Total assets	\$ 145,987	\$ 58,338	\$
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 8,040	\$ 15,634	\$
Due to other funds		36,644	20,544
Accrued payroll and employee benefits	26,383	6,060	
Unearned revenues			
Total liabilities	34,423	58,338	20,544
Fund balances (deficits):			
Nonspendable	1,952		
Restricted			
Committed			
Assigned			
Unassigned	109,612		(20,544)
Total fund balances	111,564		(20,544)
 Total liabilities and fund balances	\$ 145,987	\$ 58,338	\$

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

<u>Fee for Service</u>	<u>School Plant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 197,791	\$ 332,558	\$ 508,573	\$ 1,159,410
14,529		3,250	17,779
		42,582	124,467
67,500			67,500
		1,583	3,535
<u>\$ 279,820</u>	<u>\$ 332,558</u>	<u>\$ 555,988</u>	<u>\$ 1,372,691</u>
\$ 18,093	\$	\$ 21,862	\$ 63,629
		10,312	67,500
9,145		18,622	60,210
		2,912	2,912
<u>27,238</u>	<u></u>	<u>53,708</u>	<u>194,251</u>
		1,583	3,535
252,582		496,457	496,457
			252,582
	332,558	4,240	336,798
			89,068
<u>252,582</u>	<u>332,558</u>	<u>502,280</u>	<u>1,178,440</u>
<u>\$ 279,820</u>	<u>\$ 332,558</u>	<u>\$ 555,988</u>	<u>\$ 1,372,691</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, 2016**

Total governmental fund balances	\$	1,178,440
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 949,069	
Less accumulated depreciation	<u>(798,706)</u>	150,363
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	256,775	
Deferred inflows of resources related to pensions	<u>(442,909)</u>	(186,134)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences payable	(47,485)	
Net pension liability	<u>(1,879,659)</u>	<u>(1,927,144)</u>
Net position of governmental activities	\$	<u><u>(784,475)</u></u>

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, 2016**

	General	Special Education Grants	E-Rate
Revenues:			
Other local	\$ 190,207	\$	\$
State aid and grants	574,020		
Federal aid, grants and reimbursements		210,504	386
Total revenues	764,227	210,504	386
Expenditures:			
Current -			
Instruction	279,628	76,125	
Support services - students and staff	172,406	123,157	
Support services - administration	304,011	6,095	
Operation and maintenance of plant services	6,392		4,484
Student transportation services	119,740		
Capital outlay	1,645	3,588	16,060
Total expenditures	883,822	208,965	20,544
Excess (deficiency) of revenues over expenditures	(119,595)	1,539	(20,158)
Other financing sources (uses):			
Transfer in	21,703		
Transfer out	(3,632)	(1,539)	
Total other financing sources (uses):	18,071	(1,539)	
Changes in fund balances	(101,524)		(20,158)
Fund balances (deficits), beginning of year	222,007		(386)
Increase (decrease) in reserve for prepaid items	(8,919)		
Fund balances (deficits), end of year	\$ 111,564	\$	\$ (20,544)

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

<u>Fee for Service</u>	<u>School Plant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 316,917	\$ 1,970	\$ 110,813	\$ 619,907
		139,974	713,994
		203,331	414,221
<u>316,917</u>	<u>1,970</u>	<u>454,118</u>	<u>1,748,122</u>
		172,350	528,103
344,308		186,038	825,909
2,868		61,692	374,666
11			10,887
	16,255	14,396	119,740
<u>347,187</u>	<u>16,255</u>	<u>434,476</u>	<u>1,911,249</u>
<u>(30,270)</u>	<u>(14,285)</u>	<u>19,642</u>	<u>(163,127)</u>
		22,333	44,036
		(38,865)	(44,036)
		(16,532)	
<u>(30,270)</u>	<u>(14,285)</u>	<u>3,110</u>	<u>(163,127)</u>
282,852	346,843	501,759	1,353,075
		(2,589)	(11,508)
<u>\$ 252,582</u>	<u>\$ 332,558</u>	<u>\$ 502,280</u>	<u>\$ 1,178,440</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, 2016**

Changes in fund balances - total governmental funds **\$ (163,127)**

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.

Current year depreciation		(47,787)
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Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	110,979	
Pension expense	52,512	163,491

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Prepaid items	(11,508)	
Compensated absences	(6,756)	(18,264)

Changes in net position in governmental activities **\$ (65,687)**

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, 2016

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.

During the year ended June 30, 2016, the Reserve implemented the provisions of GASB Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Reserve. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Reserve does not have any business-type activities.

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

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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 unavailable 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 certain activities budgeted in separate funds in accordance with A.R.S. These funds are maintained as separate funds for budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

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

E-Rate Fund – The E-Rate Fund accounts for financial assistance received for broadband internet and telecommunication costs.

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

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Cash and Investments

A.R.S. require the Reserve to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer 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.

Statute authorizes the Reserve to separately invest monies of the Bond Building and Debt Service Funds in the State Treasurer's investment pools; obligations issued and guaranteed by the United States or any of its agencies of instrumentalities; specified state and local government bonds and notes; and interest bearing savings accounts or certificates of deposit.

Statute authorizes the Reserve to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the Reserve to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes and employee insurance programs. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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	3-20 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.

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

K. Interfund Activity

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

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

L. Net Position Flow Assumption

In the government-wide financial statements the Reserve 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. 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, 2016**

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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	E-Rate Fund	Fee for Service Fund	School Plant Fund	Non-Major Governmental Funds
Fund Balances:					
Non-spendable:					
Prepaid items	\$ 1,952	\$	\$	\$	\$ 1,583
Restricted:					
Capital projects					70,681
Statutory mandates					123,525
Federal and state projects					130,216
Auxiliary operations					14,847
Other purposes					157,188
Committed:					
Special projects			252,582		
Assigned:					
Capital projects				332,558	4,240
Unassigned	109,612	(20,544)			
Total fund balances	\$ 111,564	\$ (20,544)	\$ 252,582	\$ 332,558	\$ 502,280

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the E-Rate Fund, a major governmental fund, reported a deficit of \$20,544 in fund balance.

The deficit arose because of operations during the year. Additional revenues received in fiscal year 2015-16 are expected to eliminate the deficit.

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, 2016**

NOTE 4 – CASH AND 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.

Fair Value Measurements. The Reserve categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	203 days	\$ 1,159,410
Total		\$ 1,159,410

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

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

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – RECEIVABLES

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

	<u>General Fund</u>	<u>Special Education Grants Fund</u>	<u>Non-Major Governmental Funds</u>
Due from other governmental entities:			
Due from federal government	\$	\$ 58,338	\$ 36,474
Due from state government			6,108
Due from other school districts	23,547		
Net due from governmental entities	<u>\$ 23,547</u>	<u>\$ 58,338</u>	<u>\$ 42,582</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2016 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	\$ 72,883	\$	\$	\$ 72,883
Buildings and improvements	151,880			151,880
Vehicles, furniture and equipment	724,306			724,306
Total capital assets being depreciated	<u>949,069</u>			<u>949,069</u>
Less accumulated depreciation for:				
Land improvements	(32,711)	(1,261)		(33,972)
Buildings and improvements	(121,519)	(2,547)		(124,066)
Vehicles, furniture and equipment	(596,689)	(43,979)		(640,668)
Total accumulated depreciation	<u>(750,919)</u>	<u>(47,787)</u>		<u>(798,706)</u>
Total capital assets, being depreciated, net	<u>198,150</u>	<u>(47,787)</u>		<u>150,363</u>
Governmental activities capital assets, net	<u>\$ 198,150</u>	<u>\$ (47,787)</u>	<u>\$</u>	<u>\$ 150,363</u>

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,096
Support services – students and staff	2,794
Support services – administration	13,040
Student transportation services	<u>27,857</u>
Total depreciation expense – governmental activities	<u>\$ 47,787</u>

NOTE 7 – 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:					
Net pension liability	\$ 1,754,115	\$ 125,544	\$	\$ 1,879,659	\$
Compensated absences payable	<u>40,729</u>	<u>27,624</u>	<u>20,868</u>	<u>47,485</u>	<u>28,499</u>
Governmental activity long-term liabilities	<u>\$ 1,794,844</u>	<u>\$ 153,168</u>	<u>\$ 20,868</u>	<u>\$ 1,927,144</u>	<u>\$ 28,499</u>

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end interfund balances were as follows:

Due to/from other funds:

	<u>Special Education Grants Fund</u>	<u>E-Rate Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Due from Other Funds</u>
Fee for Service Fund	\$ 36,644	\$ 20,544	\$ 10,312	\$ 67,500
Total Due to Other Funds	<u>\$ 36,644</u>	<u>\$ 20,544</u>	<u>\$ 10,312</u>	<u>\$ 67,500</u>

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.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers:

<u>Transfers out</u>	Transfers in		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$	\$ 3,632	\$ 3,632
Special Education Grants Fund	1,539		1,539
Non-Major Governmental Funds	20,164	18,701	38,865
Total	\$ 21,703	\$ 22,333	\$ 44,036

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 and Unrestricted Capital Outlay Funds.

NOTE 9 – CONTINGENT LIABILITIES

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

NOTE 10 – RISK MANAGEMENT

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

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

PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – RISK MANAGEMENT

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

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

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Reserve employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 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 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The Reserve's contributions to the pension plan for the year ended June 30, 2016 were \$110,979.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

In addition, the Reserve was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

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

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
2016	\$	5,114	\$	1,228
2015		6,541		1,330
2014		6,921		2,555

Pension Liability. At June 30, 2016, the Reserve reported a liability of \$1.9 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Reserve’s proportion of the net pension liability was based on a projection of the Reserve’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Reserve’s proportion was 0.012 percent, which was no change from its proportion measured as of June 30, 2014.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2016, the Reserve recognized pension expense of \$(52,512) and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,292	\$ 98,496
Net difference between projected and actual earnings on pension plan investments		60,239
Changes in proportion and differences between contributions and proportionate share of contributions	94,504	284,174
Contributions subsequent to the measurement date	<u>110,979</u>	
Total	<u>\$ 256,775</u>	<u>\$ 442,909</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2017	\$ (193,391)
2018	(105,874)
2019	(41,333)
2020	43,485

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.93
Total	<u>100%</u>	

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Reserve’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Proportionate share of the net pension liability	\$2,462,997	\$1,879,659	\$1,479,883

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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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, 2016**

	<u>Budgeted Amounts</u>		<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local	\$	\$	\$ 57,758	\$ 57,758
State aid and grants			574,020	574,020
Total revenues			<u>631,778</u>	<u>631,778</u>
Expenditures:				
Current -				
Instruction	327,679	318,467	279,164	39,303
Support services - students and staff	177,604	169,790	126,476	43,314
Support services - administration	171,211	154,625	179,296	(24,671)
Operation and maintenance of plant services	6,050	33,483	5,950	27,533
Student transportation services	195,007	195,007	119,740	75,267
Total expenditures	<u>877,551</u>	<u>871,372</u>	<u>710,626</u>	<u>160,746</u>
Excess (deficiency) of revenues over expenditures	<u>(877,551)</u>	<u>(871,372)</u>	<u>(78,848)</u>	<u>792,524</u>
Other financing sources (uses):				
Transfer in			20,000	20,000
Total other financing sources (uses):			<u>20,000</u>	<u>20,000</u>
Changes in fund balances	<u>(877,551)</u>	<u>(871,372)</u>	<u>(58,848)</u>	<u>812,524</u>
Fund balances (deficits), beginning of year			(107,136)	(107,136)
Fund balances (deficits), end of year	<u>\$ (877,551)</u>	<u>\$ (871,372)</u>	<u>\$ (165,984)</u>	<u>\$ 705,388</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL EDUCATION GRANTS
YEAR ENDED JUNE 30, 2016**

	<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	\$	\$	\$ 210,504	\$ 210,504
Total revenues			<u>210,504</u>	<u>210,504</u>
Expenditures:				
Current -				
Instruction	113,151	113,952	76,125	37,827
Support services - students and staff	172,354	184,354	123,157	61,197
Support services - administration	9,124	9,124	6,095	3,029
Capital outlay	5,371	5,371	3,588	1,783
Total expenditures	<u>300,000</u>	<u>312,801</u>	<u>208,965</u>	<u>103,836</u>
Excess (deficiency) of revenues over expenditures	<u>(300,000)</u>	<u>(312,801)</u>	<u>1,539</u>	<u>314,340</u>
Other financing sources (uses):				
Transfer out			(1,539)	(1,539)
Total other financing sources (uses):			<u>(1,539)</u>	<u>(1,539)</u>
Changes in fund balances	<u>(300,000)</u>	<u>(312,801)</u>		<u>312,801</u>
Fund balances, beginning of year				
Fund balances (deficits), end of year	<u>\$ (300,000)</u>	<u>\$ (312,801)</u>	<u>\$</u>	<u>\$ 312,801</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
E-RATE
YEAR ENDED JUNE 30, 2016**

	<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	\$	\$	\$ 386	\$ 386
Total revenues			<u>386</u>	<u>386</u>
Expenditures:				
Current -				
Operation and maintenance of plant services	10,000	10,000	4,484	5,516
Capital outlay	<u>42,570</u>	<u>40,058</u>	<u>16,060</u>	<u>23,998</u>
Total expenditures	<u>52,570</u>	<u>50,058</u>	<u>20,544</u>	<u>29,514</u>
Changes in fund balances	<u>(52,570)</u>	<u>(50,058)</u>	<u>(20,158)</u>	<u>29,900</u>
Fund balances (deficits), beginning of year			(386)	(386)
Fund balances (deficits), end of year	<u>\$ (52,570)</u>	<u>\$ (50,058)</u>	<u>\$ (20,544)</u>	<u>\$ 29,514</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, 2016**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Other local	\$	\$ 316,917	\$ 316,917
Total revenues		<u>316,917</u>	<u>316,917</u>
Expenditures:			
Current -			
Support services - students and staff		344,308	(344,308)
Support services - administration		2,868	(2,868)
Operation and maintenance of plant services		11	(11)
Total expenditures		<u>347,187</u>	<u>(347,187)</u>
Changes in fund balances		<u>(30,270)</u>	<u>(30,270)</u>
Fund balances, beginning of year		282,852	282,852
Fund balances, end of year	<u>\$</u>	<u>\$ 252,582</u>	<u>\$ 252,582</u>

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 1,879,659	\$ 1,754,115
District's covered payroll	\$ 1,108,577	\$ 1,059,776
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	169.56%	165.52%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

**SCHEDULE OF CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 110,979	\$ 132,193
Contributions in relation to the actuarially determined contribution	<u>110,979</u>	<u>132,193</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 1,022,848	\$ 1,108,577
Contributions as a percentage of covered payroll	10.85%	11.92%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**PIMA COUNTY SCHOOL RESERVE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Reserve budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for certain activities that are reported in the General Fund and are budgeted in separate funds in accordance with Arizona Revised Statutes.

The following schedule reconciles expenditures and fund balances at the end of year:

	Total Expenditures	Fund Balances End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 883,822	\$ 111,564
Activity budgeted as special revenue funds	(173,196)	(277,548)
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	\$ 710,626	\$ (165,984)

NOTE 2 – PENSION PLAN SCHEDULES

Change in Accounting Principle. For the year ended June 30, 2016, the Reserve implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2014, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

NOTE 3 – EXCESS EXPENDITURES OVER BUDGET

At year end, the Fee Service Fund, a major special revenue fund, had excess expenditures over budget of \$347,187; however, this does not constitute violations of any legal provisions.

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

PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Fund</u>
<u>ASSETS</u>			
Cash and investments	\$ 433,652	\$ 74,921	\$ 508,573
Accounts receivable	3,250		3,250
Due from governmental entities	42,582		42,582
Prepaid items	1,583		1,583
Total assets	<u><u>\$ 481,067</u></u>	<u><u>\$ 74,921</u></u>	<u><u>\$ 555,988</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 21,862	\$	\$ 21,862
Due to other funds	10,312		10,312
Accrued payroll and employee benefits	18,622		18,622
Unearned revenues	2,912		2,912
Total liabilities	<u><u>53,708</u></u>		<u><u>53,708</u></u>
Fund balances:			
Nonspendable	1,583		1,583
Restricted	425,776	70,681	496,457
Assigned		4,240	4,240
Total fund balances	<u><u>427,359</u></u>	<u><u>74,921</u></u>	<u><u>502,280</u></u>
 Total liabilities and fund balances	 <u><u>\$ 481,067</u></u>	 <u><u>\$ 74,921</u></u>	 <u><u>\$ 555,988</u></u>

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 110,567	\$ 246	\$ 110,813
State aid and grants	139,974		139,974
Federal aid, grants and reimbursements	203,331		203,331
Total revenues	<u>453,872</u>	<u>246</u>	<u>454,118</u>
Expenditures:			
Current -			
Instruction	172,350		172,350
Support services - students and staff	186,038		186,038
Support services - administration	61,692		61,692
Capital outlay	9,301	5,095	14,396
Total expenditures	<u>429,381</u>	<u>5,095</u>	<u>434,476</u>
Excess (deficiency) of revenues over expenditures	<u>24,491</u>	<u>(4,849)</u>	<u>19,642</u>
Other financing sources (uses):			
Transfer in	3,632	18,701	22,333
Transfer out	(164)	(38,701)	(38,865)
Total other financing sources (uses):	<u>3,468</u>	<u>(20,000)</u>	<u>(16,532)</u>
Changes in fund balances	<u>27,959</u>	<u>(24,849)</u>	<u>3,110</u>
Fund balances, beginning of year	401,989	99,770	501,759
Increase (decrease) in reserve for prepaid items	(2,589)		(2,589)
Fund balances, end of year	<u>\$ 427,359</u>	<u>\$ 74,921</u>	<u>\$ 502,280</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.

Student Success - to account for student success monies.

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.

Professional Development and Technology Grants - to account for financial assistance received to increase student academic achievement through improving teacher quality.

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

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

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

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

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

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

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

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

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

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

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	<u>Classroom Site</u>	<u>Instructional Improvement</u>	<u>Title I Grants</u>
<u>ASSETS</u>			
Cash and investments	\$ 53,347	\$ 64,070	\$ 11
Accounts receivable			
Due from governmental entities	3,037	3,071	13,746
Prepaid items			
Total assets	<u>\$ 56,384</u>	<u>\$ 67,141</u>	<u>\$ 13,757</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits			13,757
Unearned revenues			
Total liabilities			<u>13,757</u>
Fund balances:			
Nonspendable			
Restricted	<u>56,384</u>	<u>67,141</u>	
Total fund balances	<u>56,384</u>	<u>67,141</u>	
Total liabilities and fund balances	<u>\$ 56,384</u>	<u>\$ 67,141</u>	<u>\$ 13,757</u>

<u>Professional Development and Technology Grants</u>	<u>Limited English & Immigrant Students</u>	<u>National Forest Fees</u>	<u>Taylor Grazing Fees</u>	<u>Other Federal Projects</u>	<u>Other State Projects</u>
\$ 6,364	\$	\$ 94,978	\$ 35,238	\$	\$ 2,744
	3,250			8,325	
	14,403				
	1,583				
<u>\$ 6,364</u>	<u>\$ 19,236</u>	<u>\$ 94,978</u>	<u>\$ 35,238</u>	<u>\$ 8,325</u>	<u>\$ 2,744</u>
\$ 6,196	\$ 15,666	\$	\$	\$	\$
	1,987			8,325	
168					2,744
<u>6,364</u>	<u>17,653</u>			<u>8,325</u>	<u>2,744</u>
	1,583				
		94,978	35,238		
	<u>1,583</u>	<u>94,978</u>	<u>35,238</u>		
<u>\$ 6,364</u>	<u>\$ 19,236</u>	<u>\$ 94,978</u>	<u>\$ 35,238</u>	<u>\$ 8,325</u>	<u>\$ 2,744</u>

(Continued)

**PIMA COUNTY SCHOOL RESERVE FUND
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	<u>Extracurricular Activities Fees Tax Credit</u>	<u>Gifts and Donations</u>	<u>Small Schools</u>
<u>ASSETS</u>			
Cash and investments	\$ 14,847	\$ 14,337	\$ 128,160
Accounts receivable			
Due from governmental entities			
Prepaid items			
Total assets	<u>\$ 14,847</u>	<u>\$ 14,337</u>	<u>\$ 128,160</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits		3,081	1,784
Unearned revenues			
Total liabilities		<u>3,081</u>	<u>1,784</u>
 Fund balances:			
Nonspendable			
Restricted	14,847	11,256	126,376
Total fund balances	<u>14,847</u>	<u>11,256</u>	<u>126,376</u>
 Total liabilities and fund balances	<u>\$ 14,847</u>	<u>\$ 14,337</u>	<u>\$ 128,160</u>

<u>Fingerprint</u>	<u>Insurance Proceeds</u>	<u>Litigation Recovery</u>	<u>Teacherage</u>	<u>Totals</u>
\$ 129	\$ 6,982	\$ 12,407	\$ 38	\$ 433,652
				3,250
				42,582
				1,583
<u>\$ 129</u>	<u>\$ 6,982</u>	<u>\$ 12,407</u>	<u>\$ 38</u>	<u>\$ 481,067</u>
\$	\$	\$	\$	\$ 21,862
				10,312
				18,622
				2,912
				<u>53,708</u>
				1,583
<u>129</u>	<u>6,982</u>	<u>12,407</u>	<u>38</u>	<u>425,776</u>
<u>129</u>	<u>6,982</u>	<u>12,407</u>	<u>38</u>	<u>427,359</u>
<u>\$ 129</u>	<u>\$ 6,982</u>	<u>\$ 12,407</u>	<u>\$ 38</u>	<u>\$ 481,067</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, 2016**

	Classroom Site	Instructional Improvement	Title I Grants
Revenues:			
Other local	\$	\$	\$
State aid and grants	36,450	371	
Federal aid, grants and reimbursements		3,071	99,258
Total revenues	36,450	3,442	99,258
Expenditures:			
Current -			
Instruction	29,312		87,759
Support services - students and staff			7,687
Support services - administration			3,812
Capital outlay			
Total expenditures	29,312		99,258
Excess (deficiency) of revenues over expenditures	7,138	3,442	
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	7,138	3,442	
Fund balances, beginning of year	49,246	63,699	
Increase (decrease) in reserve for prepaid items			
Fund balances, end of year	\$ 56,384	\$ 67,141	\$

Professional Development and Technology Grants	Limited English & Immigrant Students	National Forest Fees	Taylor Grazing Fees	Other Federal Projects	Other State Projects
\$ 106	\$ 13,535	\$	\$	\$	\$
22,528	7,002	62,129	11,619	795	1,701
<u>22,634</u>	<u>20,537</u>	<u>62,129</u>	<u>11,619</u>	<u>795</u>	<u>1,701</u>
22,704	14,510	40,769			
	8,385	1,610		1,304	1,588
	644	2,612	1,500		
		7,656			
<u>22,704</u>	<u>23,539</u>	<u>52,647</u>	<u>1,500</u>	<u>1,304</u>	<u>1,588</u>
<u>(70)</u>	<u>(3,002)</u>	<u>9,482</u>	<u>10,119</u>	<u>(509)</u>	<u>113</u>
106	3,017			509	
(36)	(15)				(113)
<u>70</u>	<u>3,002</u>			<u>509</u>	<u>(113)</u>
		9,482	10,119		
		85,496	25,119		
	1,583				
<u>\$</u>	<u>\$ 1,583</u>	<u>\$ 94,978</u>	<u>\$ 35,238</u>	<u>\$</u>	<u>\$</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, 2016**

	Extracurricular Activities Fees Tax Credit	Gifts and Donations	Small Schools
Revenues:			
Other local	\$ 85	\$ 95,243	\$ 1,086
State aid and grants			98,752
Federal aid, grants and reimbursements			
Total revenues	<u>85</u>	<u>95,243</u>	<u>99,838</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff		85,985	56,775
Support services - administration			53,124
Capital outlay			1,645
Total expenditures		<u>85,985</u>	<u>111,544</u>
Excess (deficiency) of revenues over expenditures	<u>85</u>	<u>9,258</u>	<u>(11,706)</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>85</u>	<u>9,258</u>	<u>(11,706)</u>
Fund balances, beginning of year	14,762	1,998	142,254
Increase (decrease) in reserve for prepaid items			(4,172)
Fund balances, end of year	<u>\$ 14,847</u>	<u>\$ 11,256</u>	<u>\$ 126,376</u>

<u>Fingerprint</u>	<u>Insurance Proceeds</u>	<u>Litigation Recovery</u>	<u>Teacherage</u>	<u>Totals</u>
\$ 2	\$ 40	\$ 99	\$	\$ 110,567
				139,974
				203,331
<u>2</u>	<u>40</u>	<u>99</u>		<u>453,872</u>
				172,350
				186,038
				61,692
				9,301
				<u>429,381</u>
<u>2</u>	<u>40</u>	<u>99</u>		<u>24,491</u>
				3,632
				(164)
				<u>3,468</u>
<u>2</u>	<u>40</u>	<u>99</u>		<u>27,959</u>
127	6,942	12,308	38	401,989
				(2,589)
<u>\$ 129</u>	<u>\$ 6,982</u>	<u>\$ 12,407</u>	<u>\$ 38</u>	<u>\$ 427,359</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, 2016**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		36,450	36,450
Federal aid, grants and reimbursements			
Total revenues		<u>36,450</u>	<u>36,450</u>
Expenditures:			
Current -			
Instruction	101,575	29,312	72,263
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
Total expenditures	<u>101,575</u>	<u>29,312</u>	<u>72,263</u>
Excess (deficiency) of revenues over expenditures	<u>(101,575)</u>	<u>7,138</u>	<u>108,713</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(101,575)</u>	<u>7,138</u>	<u>108,713</u>
Fund balances, beginning of year		49,246	49,246
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$ (101,575)</u>	<u>\$ 56,384</u>	<u>\$ 157,959</u>

Instructional Improvement			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 371 3,071	\$ 371 3,071	\$	\$	\$
				99,258	99,258
	<u>3,442</u>	<u>3,442</u>		<u>99,258</u>	<u>99,258</u>
63,000		63,000	86,570	87,759	(1,189)
				7,687	(7,687)
				3,812	(3,812)
<u>63,000</u>		<u>63,000</u>	<u>86,570</u>	<u>99,258</u>	<u>(12,688)</u>
<u>(63,000)</u>	<u>3,442</u>	<u>66,442</u>	<u>(86,570)</u>		<u>86,570</u>
<u>(63,000)</u>	<u>3,442</u>	<u>66,442</u>	<u>(86,570)</u>		<u>86,570</u>
	63,699	63,699			
<u>\$ (63,000)</u>	<u>\$ 67,141</u>	<u>\$ 130,141</u>	<u>\$ (86,570)</u>	<u>\$</u>	<u>\$ 86,570</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, 2016**

	Professional Development and Technology Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 106	\$ 106
State aid and grants			
Federal aid, grants and reimbursements		22,528	22,528
Total revenues		<u>22,634</u>	<u>22,634</u>
Expenditures:			
Current -			
Instruction	22,000		22,000
Support services - students and staff		22,704	(22,704)
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
Total expenditures	<u>22,000</u>	<u>22,704</u>	<u>(704)</u>
Excess (deficiency) of revenues over expenditures	<u>(22,000)</u>	<u>(70)</u>	<u>21,930</u>
Other financing sources (uses):			
Transfer in		106	106
Transfer out		(36)	(36)
Total other financing sources (uses):		<u>70</u>	<u>70</u>
Changes in fund balances	<u>(22,000)</u>		<u>22,000</u>
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$ (22,000)</u>	<u>\$</u>	<u>\$ 22,000</u>

Limited English & Immigrant Students			National Forest Fees		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 13,535	\$ 13,535	\$	\$	\$
	7,002	7,002		62,129	62,129
	20,537	20,537		62,129	62,129
65,248	14,510	50,738		40,769	(40,769)
22,165	8,385	13,780		1,610	(1,610)
12,408	644	11,764		2,612	(2,612)
				7,656	(7,656)
99,821	23,539	76,282		52,647	(52,647)
(99,821)	(3,002)	96,819		9,482	9,482
	3,017	3,017			
	(15)	(15)			
	3,002	3,002			
(99,821)		99,821		9,482	9,482
				85,496	85,496
	1,583	1,583			
\$ (99,821)	\$ 1,583	\$ 101,404	\$	\$ 94,978	\$ 94,978

(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, 2016**

	Taylor Grazing Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		11,619	11,619
Total revenues		11,619	11,619
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration		1,500	(1,500)
Operation and maintenance of plant services			
Capital outlay			
Total expenditures		1,500	(1,500)
Excess (deficiency) of revenues over expenditures		10,119	10,119
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		10,119	10,119
Fund balances, beginning of year		25,119	25,119
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$	\$ 35,238	\$ 35,238

Other Federal Projects			Other State Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	795	795		1,701	1,701
	<u>795</u>	<u>795</u>		<u>1,701</u>	<u>1,701</u>
117,000	1,304	115,696	4,200	1,588	2,612
<u>117,000</u>	<u>1,304</u>	<u>115,696</u>	<u>4,200</u>	<u>1,588</u>	<u>2,612</u>
(117,000)	(509)	116,491	(4,200)	113	4,313
	509	509		(113)	(113)
	<u>509</u>	<u>509</u>		<u>(113)</u>	<u>(113)</u>
(117,000)		117,000	(4,200)		4,200
<u>\$ (117,000)</u>	<u>\$</u>	<u>\$ 117,000</u>	<u>\$ (4,200)</u>	<u>\$</u>	<u>\$ 4,200</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, 2016**

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 85	\$ 85
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		85	85
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		85	85
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		85	85
Fund balances, beginning of year		14,762	14,762
Increase (decrease) in reserve for prepaid items			
Fund balances, end of year	\$	\$ 14,847	\$ 14,847

Gifts and Donations			Small Schools		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 95,243	\$ 95,243	\$	\$ 1,086	\$ 1,086
				98,752	98,752
	<u>95,243</u>	<u>95,243</u>		<u>99,838</u>	<u>99,838</u>
	85,985	(85,985)		56,775	(56,775)
				53,124	(53,124)
	<u>85,985</u>	<u>(85,985)</u>		<u>1,645</u>	<u>(1,645)</u>
				<u>111,544</u>	<u>(111,544)</u>
	<u>9,258</u>	<u>9,258</u>		<u>(11,706)</u>	<u>(11,706)</u>
	<u>9,258</u>	<u>9,258</u>		<u>(11,706)</u>	<u>(11,706)</u>
	1,998	1,998		142,254	142,254
				(4,172)	(4,172)
<u>\$</u>	<u>\$ 11,256</u>	<u>\$ 11,256</u>	<u>\$</u>	<u>\$ 126,376</u>	<u>\$ 126,376</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, 2016**

	Fingerprint		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 2	\$ 2
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		2	2
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		2	2
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		2	2
Fund balances, beginning of year		127	127
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$	\$ 129	\$ 129

Insurance Proceeds			Litigation Recovery		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 40	\$ 40	\$	\$ 99	\$ 99
	40	40		99	99
7,000		7,000	800		800
7,000		7,000	800		800
(7,000)	40	7,040	(800)	99	899
(7,000)	40	7,040	(800)	99	899
	6,942	6,942		12,308	12,308
\$ (7,000)	\$ 6,982	\$ 13,982	\$ (800)	\$ 12,407	\$ 13,207

(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, 2016**

	Administrative Costs		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 132,449	\$ 132,449
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>132,449</u>	<u>132,449</u>
Expenditures:			
Current -			
Instruction	2,200	464	1,736
Support services - students and staff		45,930	(45,930)
Support services - administration		124,715	(124,715)
Operation and maintenance of plant services		442	(442)
Capital outlay		1,645	(1,645)
Total expenditures	<u>2,200</u>	<u>173,196</u>	<u>(170,996)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,200)</u>	<u>(40,747)</u>	<u>(38,547)</u>
Other financing sources (uses):			
Transfer in		1,703	1,703
Transfer out		(3,632)	(3,632)
Total other financing sources (uses):		<u>(1,929)</u>	<u>(1,929)</u>
Changes in fund balances	<u>(2,200)</u>	<u>(42,676)</u>	<u>(40,476)</u>
Fund balances, beginning of year		329,143	329,143
Increase (decrease) in reserve for prepaid items		(8,919)	(8,919)
Fund balances (deficits), end of year	<u>\$ (2,200)</u>	<u>\$ 277,548</u>	<u>\$ 279,748</u>

Teacherage			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 243,016	\$ 243,016
				139,974	139,974
				203,331	203,331
				586,321	586,321
			348,393	172,814	175,579
			143,365	231,968	(88,603)
			12,408	186,407	(173,999)
				442	(442)
				10,946	(10,946)
			504,166	602,577	(98,411)
			(504,166)	(16,256)	487,910
				5,335	5,335
				(3,796)	(3,796)
				1,539	1,539
			(504,166)	(14,717)	489,449
	38	38		731,132	731,132
				(11,508)	(11,508)
\$	\$ 38	\$ 38	\$ (504,166)	\$ 704,907	\$ 1,209,073

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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.

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.

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**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016**

	Unrestricted Capital Outlay	Bus Replacement	Totals
<u>ASSETS</u>			
Cash and investments	\$ 70,681	\$ 4,240	\$ 74,921
Total assets	\$ 70,681	\$ 4,240	\$ 74,921
Fund balances:			
Restricted	\$ 70,681	\$	\$ 70,681
Assigned		4,240	4,240
Total fund balances	70,681	4,240	74,921
Total liabilities and fund balances	\$ 70,681	\$ 4,240	\$ 74,921

**PIMA COUNTY SCHOOL RESERVE FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2016**

	Unrestricted Capital Outlay	Building Renewal	Bus Replacement
Revenues:			
Other local	\$	\$ 221	\$ 25
Total revenues	<u>221</u>	<u>221</u>	<u>25</u>
Expenditures:			
Capital outlay	5,095		
Total expenditures	<u>5,095</u>		
Excess (deficiency) of revenues over expenditures	<u>(5,095)</u>	<u>221</u>	<u>25</u>
Other financing sources (uses):			
Transfer in	18,701		
Transfer out		(38,701)	
Total other financing sources (uses):	<u>18,701</u>	<u>(38,701)</u>	
Changes in fund balances	<u>13,606</u>	<u>(38,480)</u>	<u>25</u>
Fund balances, beginning of year	57,075	38,480	4,215
Fund balances, end of year	<u>\$ 70,681</u>	<u>\$</u>	<u>\$ 4,240</u>

Totals

\$ 246
246

5,095
5,095

(4,849)

18,701
(38,701)
(20,000)

(24,849)

99,770

\$ 74,921
74,921

**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, 2016**

	School Plant		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 1,970	\$ 1,970
Total revenues		<u>1,970</u>	<u>1,970</u>
Expenditures:			
Capital outlay	350,000	16,255	333,745
Total expenditures	<u>350,000</u>	<u>16,255</u>	<u>333,745</u>
Excess (deficiency) of revenues over expenditures	<u>(350,000)</u>	<u>(14,285)</u>	<u>335,715</u>
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances	<u>(350,000)</u>	<u>(14,285)</u>	<u>335,715</u>
Fund balances, beginning of year		346,843	346,843
Fund balances (deficits), end of year	<u>\$ (350,000)</u>	<u>\$ 332,558</u>	<u>\$ 682,558</u>

Unrestricted Capital Outlay			Building Renewal		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 221	\$ 221
				221	221
83,714	5,095	78,619			
83,714	5,095	78,619			
(83,714)	(5,095)	78,619		221	221
	18,701	18,701		(38,701)	(38,701)
	18,701	18,701		(38,701)	(38,701)
(83,714)	13,606	97,320		(38,480)	(38,480)
	57,075	57,075		38,480	38,480
\$ (83,714)	\$ 70,681	\$ 154,395	\$	\$	\$

(Continued)

**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, 2016**

	Bus Replacement		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 25	\$ 25
Total revenues		25	25
Expenditures:			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		25	25
Other financing sources (uses):			
Transfer in			
Transfer out			
Total other financing sources (uses):			
Changes in fund balances		25	25
Fund balances, beginning of year		4,215	4,215
Fund balances (deficits), end of year	\$	\$ 4,240	\$ 4,240

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 2,216	\$ 2,216
	2,216	2,216
433,714	21,350	412,364
433,714	21,350	412,364
(433,714)	(19,134)	414,580
	18,701	18,701
	(38,701)	(38,701)
	(20,000)	(20,000)
(433,714)	(39,134)	394,580
	446,613	446,613
\$ (433,714)	\$ 407,479	\$ 841,193

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Position:					
Net investment in capital assets	\$ 150,363	\$ 198,150	\$ 248,522	\$ 271,201	\$ 319,674
Restricted	496,457	494,534	491,189	448,506	536,242
Unrestricted	(1,431,295)	(1,411,472)	1,151,254	1,379,879	1,452,886
Total net position	\$ (784,475)	\$ (718,788)	\$ 1,890,965	\$ 2,099,586	\$ 2,308,802
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Position:					
Net investment in capital assets	\$ 376,262	\$ 424,143	\$ 440,592	\$ 237,050	\$ 218,823
Restricted	748,007	301,828	469,682	888,766	912,999
Unrestricted	1,225,092	1,472,192	1,544,706	1,496,278	1,291,031
Total net position	\$ 2,349,361	\$ 2,198,163	\$ 2,454,980	\$ 2,622,094	\$ 2,422,853

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

Note: The decrease in unrestricted net position in the fiscal year 2015 is due to the implementation of the pension standards

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses					
Instruction	\$ 522,904	\$ 630,095	\$ 680,488	\$ 833,386	\$ 1,262,553
Support services - students and staff	760,104	627,175	653,958	1,302,698	1,699,286
Support services - administration	368,010	609,427	546,878	615,509	633,645
Operation and maintenance of plant services	22,012	21,993	27,084	21,262	35,467
Student transportation services	140,779	145,853	185,978	206,745	160,424
Operation of non-instructional services			841	1,139	137
Total expenses	<u>1,813,809</u>	<u>2,034,543</u>	<u>2,095,227</u>	<u>2,980,739</u>	<u>3,791,512</u>
Program Revenues					
Charges for services:					
Instruction	95,126	112,221	81,981	46,779	44,994
Operation of non-instructional services				452,478	677,895
Other activities	450,318	464,434	348,228	228,065	251,281
Operating grants and contributions	499,497	663,787	618,747	1,088,295	1,846,476
Capital grants and contributions	28,949	7,683	1,807	11,390	13,217
Total program revenues	<u>1,073,890</u>	<u>1,248,125</u>	<u>1,050,763</u>	<u>1,827,007</u>	<u>2,833,863</u>
Net (Expense)/Revenue	<u>\$ (739,919)</u>	<u>\$ (786,418)</u>	<u>\$ (1,044,464)</u>	<u>\$ (1,153,732)</u>	<u>\$ (957,649)</u>

(Continued)

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

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

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

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (Expense)/Revenue	\$ (739,919)	\$ (786,418)	\$ (1,044,464)	\$ (1,153,732)	\$ (957,649)
General Revenues:					
Investment income	6,998	6,527	12,621	48,649	11,971
Unrestricted county aid	53,693	53,098	59,001	60,565	59,318
Unrestricted state aid	613,541	537,301	758,429	828,851	837,912
Unrestricted federal aid			5,792	6,451	7,889
Total general revenues	<u>674,232</u>	<u>596,926</u>	<u>835,843</u>	<u>944,516</u>	<u>917,090</u>
Changes in Net Position	<u>\$ (65,687)</u>	<u>\$ (189,492)</u>	<u>\$ (208,621)</u>	<u>\$ (209,216)</u>	<u>\$ (40,559)</u>

(Continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net (Expense)/Revenue	\$ (908,141)	\$ (1,191,479)	\$ (1,355,225)	\$ (1,136,918)	\$ (1,236,288)
General Revenues:					
Investment income	17,235	30,167	40,458	110,765	78,618
Unrestricted county aid	57,272	48,652			587
Unrestricted state aid	964,961	757,581	1,137,864	1,213,927	1,161,915
Unrestricted federal aid	19,871	98,262	9,789	11,467	10,811
Special item - gain on sale of land					
Total general revenues	<u>1,059,339</u>	<u>934,662</u>	<u>1,188,111</u>	<u>1,336,159</u>	<u>1,251,931</u>
Changes in Net Position	<u>\$ 151,198</u>	<u>\$ (256,817)</u>	<u>\$ (167,114)</u>	<u>\$ 199,241</u>	<u>\$ 15,643</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.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:					
Nonspendable	\$ 1,952	\$ 10,871	\$	\$	\$
Restricted					
Assigned					1,149
Unassigned	109,612	211,136	559,827	680,663	709,322
Total General Fund	<u>\$ 111,564</u>	<u>\$ 222,007</u>	<u>\$ 559,827</u>	<u>\$ 680,663</u>	<u>\$ 710,471</u>
All Other Governmental Funds:					
Nonspendable	\$ 1,583	\$ 4,172	\$	\$	\$
Restricted	496,457	493,372	536,340	514,513	508,293
Committed	252,582	282,852	237,606	315,104	414,119
Assigned	336,798	351,058	360,997	359,187	418,952
Unassigned	(20,544)	(386)	(732)	(447)	
Total all other governmental funds	<u>\$ 1,066,876</u>	<u>\$ 1,131,068</u>	<u>\$ 1,134,211</u>	<u>\$ 1,188,357</u>	<u>\$ 1,341,364</u>

(Continued)

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

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

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.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Federal sources:					
Federal grants	\$ 402,602	\$ 551,963	\$ 611,310	\$ 1,084,273	\$ 1,842,659
State Fiscal Stabilization (ARRA)					
Taylor Grazing	11,619	15,941	5,792	6,451	7,889
Total federal sources	<u>414,221</u>	<u>567,904</u>	<u>617,102</u>	<u>1,090,724</u>	<u>1,850,548</u>
State sources:					
State equalization assistance	574,020	501,412	448,102	661,447	588,891
State grants	100,453	102,604	273,854	108,658	96,993
Other revenues	39,521	35,971	45,717	74,158	155,845
Total state sources	<u>713,994</u>	<u>639,987</u>	<u>767,673</u>	<u>844,263</u>	<u>841,729</u>
Local sources:					
County aid	53,693	53,098	59,001	60,565	59,358
Investment income	6,998	6,532	12,621	48,649	11,971
Other revenues	559,216	577,530	430,209	727,322	987,347
Total local sources	<u>619,907</u>	<u>637,160</u>	<u>501,831</u>	<u>836,536</u>	<u>1,058,676</u>
Total revenues	<u><u>\$ 1,748,122</u></u>	<u><u>\$ 1,845,051</u></u>	<u><u>\$ 1,886,606</u></u>	<u><u>\$ 2,771,523</u></u>	<u><u>\$ 3,750,953</u></u>

(Continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Federal sources:					
Federal grants	\$ 2,277,956	\$ 2,520,278	\$ 2,143,782	\$ 2,282,967	\$ 1,105,999
State Fiscal Stabilization (ARRA)	7,723	90,733			
Taylor Grazing	7,104	9,789	11,467	10,811	16,897
Total federal sources	<u>2,292,783</u>	<u>2,620,800</u>	<u>2,155,249</u>	<u>2,293,778</u>	<u>1,122,896</u>
State sources:					
State equalization assistance	696,348	623,351	873,128	866,898	828,333
State grants	232,214	4,216	97,631	127,887	344,295
School Facilities Board				1,164	
Other revenues	40,505	134,230	171,436	251,494	160,806
Total state sources	<u>969,067</u>	<u>761,797</u>	<u>1,142,195</u>	<u>1,247,443</u>	<u>1,333,434</u>
Local sources:					
County aid	57,273	48,652			587
Investment income	15,015	30,166	40,248	110,765	86,165
Other revenues	961,738	671,838	571,761	575,481	1,062,281
Total local sources	<u>1,034,026</u>	<u>750,656</u>	<u>612,009</u>	<u>686,246</u>	<u>1,149,033</u>
Total revenues	<u>\$ 4,295,876</u>	<u>\$ 4,133,253</u>	<u>\$ 3,909,453</u>	<u>\$ 4,227,467</u>	<u>\$ 3,605,363</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.

(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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenditures:					
Current -					
Instruction	\$ 528,103	\$ 621,272	\$ 649,335	\$ 811,878	\$ 1,253,573
Support services - students and staff	825,909	710,528	640,992	1,291,185	1,668,159
Support services - administration	374,666	651,988	524,523	606,691	629,270
Operation and maintenance of plant services	10,887	31,420	24,981	18,414	26,434
Student transportation services	119,740	124,878	143,276	162,705	120,893
Capital outlay	51,944	39,767	78,481	63,465	6,825
Total expenditures	<u><u>\$ 1,911,249</u></u>	<u><u>\$ 2,179,853</u></u>	<u><u>\$ 2,061,588</u></u>	<u><u>\$ 2,954,338</u></u>	<u><u>\$ 3,705,154</u></u>
Expenditures for capitalized assets	\$	\$ 5,978	\$ 36,417	\$ 6,507	\$
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

(Continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenditures:					
Current -					
Instruction	\$ 1,281,795	\$ 1,535,126	\$ 1,409,603	\$ 1,546,890	\$ 849,379
Support services - students and staff	1,903,654	1,945,794	1,716,483	1,656,671	1,293,356
Support services - administration	717,402	612,201	538,994	458,326	529,481
Operation and maintenance of plant services	38,446	26,388	36,091	44,171	42,032
Student transportation services	125,337	3,910	127,380	117,367	106,984
Capital outlay	56,715	213,356	507,689	156,702	185,733
Total expenditures	<u>\$ 4,123,349</u>	<u>\$ 4,336,775</u>	<u>\$ 4,336,240</u>	<u>\$ 3,980,127</u>	<u>\$ 3,006,965</u>
Expenditures for capitalized assets	\$ 9,150	\$ 43,379	\$ 278,573	\$ 77,411	\$
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%

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

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Excess (deficiency) of revenues over expenditures	\$ (163,127)	\$ (334,802)	\$ (174,982)	\$ (182,815)	\$ 45,799
Other financing sources (uses):					
Transfers in	44,036	13,264	38,636	5,014	21,079
Transfers out	(44,036)	(13,264)	(38,636)	(5,014)	(21,079)
Total other financing sources (uses)	-----	-----	-----	-----	-----
Changes in fund balances	\$ (163,127)	\$ (334,802)	\$ (174,982)	\$ (182,815)	\$ 45,799
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Excess (deficiency) of revenues over expenditures	\$ 172,527	\$ (203,522)	\$ (426,787)	\$ 247,340	\$ 598,398
Other financing sources (uses):					
Transfers in	9,321	140,011	113,746	24,159	12,351
Transfers out	(9,321)	(140,011)	(113,746)	(24,159)	(12,351)
Total other financing sources (uses)	-----	-----	-----	-----	-----
Changes in fund balances	\$ 172,527	\$ (203,522)	\$ (426,787)	\$ 247,340	\$ 598,398

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

**PIMA COUNTY SCHOOL RESERVE FUND
NET LIMITED ASSESSED VALUE AND FULL CASH VALUE OF TAXABLE PROPERTY BY CLASS
LAST TEN FISCAL YEARS**

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Commercial, Industrial, Utilities and Mining	\$ 2,848,649	\$ 3,114,486	\$ 3,221,674	\$ 3,291,105	\$ 2,948,060
Agricultural and Vacant	5,440,175	5,464,282	5,524,648	5,622,965	5,346,159
Residential (Owner Occupied)	1,962,786	4,606,426	8,151,703	8,243,959	8,155,737
Residential (Rental)	<u>8,018,336</u>	<u>5,144,691</u>	<u>1,202,958</u>	<u>837,795</u>	<u>266,679</u>
Total	<u>\$ 18,269,946</u>	<u>\$ 18,329,885</u>	<u>\$ 18,100,983</u>	<u>\$ 17,995,824</u>	<u>\$ 16,716,635</u>
Gross Full Cash Value	\$ 646,812,205	\$ 644,172,047	\$ 641,956,876	\$ 648,279,089	\$ 652,620,589
Ratio of Net Limited Value to Gross Full Cash Value	3%	3%	3%	3%	3%
Total Direct Rate	0%	0%	0%	0%	0%

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Commercial, Industrial, Utilities and Mining	\$ 3,217,553	\$ 3,273,259	\$ 3,363,684	\$ 3,674,499	\$ 3,107,716
Agricultural and Vacant	4,867,865	4,449,517	3,914,479	3,418,662	2,975,888
Residential (Owner Occupied)	7,407,550	6,162,307	4,585,562	3,976,078	3,085,032
Residential (Rental)	<u>240,088</u>	<u>208,621</u>	<u>184,911</u>	<u>167,886</u>	<u>171,126</u>
Total	<u>\$ 15,733,056</u>	<u>\$ 14,093,704</u>	<u>\$ 12,048,636</u>	<u>\$ 11,237,125</u>	<u>\$ 9,339,762</u>
Gross Full Cash Value	\$ 670,249,586	\$ 625,437,848	\$ 646,481,683	\$ 587,466,959	\$ 518,612,837
Ratio of Net Limited to Gross full Cash Value	2%	2%	2%	2%	2%
Total Direct Rate	0%	0%	0%	0%	0%

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

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. Primary taxes are used for general District operations. Secondary taxes are used to service District bonded debt requirements and other voter-approved overrides.

**PIMA COUNTY SCHOOL RESERVE FUND
NET FULL CASH ASSESSED VALUE OF TAXABLE PROPERTY BY CLASS
LAST TEN FISCAL YEARS**

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Commercial, Industrial, Utilities and Mining	\$ 2,913,588	\$ 3,132,527	\$ 3,229,934	\$ 3,324,498	\$ 3,037,885
Agricultural and Vacant	5,470,900	5,485,859	5,605,001	6,124,129	6,541,595
Residential (Owner Occupied)	1,984,387	4,652,705	8,342,486	8,957,382	9,848,965
Residential (Rental)	8,134,644	5,202,432	1,212,017	893,230	312,162
Total	\$ 18,503,519	\$ 18,473,523	\$ 18,389,438	\$ 19,299,239	\$ 19,740,607
Gross Full Cash Value	\$ 646,812,205	\$ 644,172,047	\$ 641,956,876	\$ 648,279,089	\$ 652,620,589
Ratio of Net Full cash Value to Gross Full Cash Value	3%	3%	3%	3%	3%
Total District Rate	0%	0%	0%	0%	0%

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Commercial, Industrial, Utilities and Mining	\$ 3,308,620	\$ 3,363,716	\$ 3,472,097	\$ 3,770,943	\$ 3,174,025
Agricultural and Vacant	6,506,793	6,768,963	5,149,348	4,160,102	3,159,190
Residential (Owner Occupied)	10,158,466	6,681,883	5,255,840	4,467,852	3,172,722
Residential (Rental)	329,789	227,554	219,619	187,856	185,619
Total	\$ 20,303,668	\$ 17,042,116	\$ 14,096,904	\$ 12,586,753	\$ 9,691,556
Gross Full Cash Value	\$ 670,249,586	\$ 625,437,848	\$ 646,481,683	\$ 587,466,959	\$ 518,612,837
Ratio of Net Full Cash Value to Gross Full Cash Value	3%	3%	2%	2%	2%
Total District Rate	0%	0%	0%	0%	0%

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

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the District's bonding capacity and as the ceiling for net limited assessed value.

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

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Commercial, Industrial, Utilities and Mining	19 %	19 %	20 %	20 %	20 %
Agricultural and Vacant	16	16	16	16	16
Residential (Owner Occupied)	10	10	10	10	10
Residential (Rental)	10	10	10	10	10
Railroad, Private Cars and Airlines	16	16	15	15	15

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Commercial, Industrial, Utilities and Mining	21 %	22 %	23 %	24 %	25 %
Agricultural and Vacant	16	16	16	16	16
Residential (Owner Occupied)	10	10	10	10	10
Residential (Rental)	10	10	10	10	10
Railroad, Private Cars and Airlines	17	18	20	21	22

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

Note: Additional classes of property exist, but do not amount to a significant portion of the District's total valuation, therefore they are not included on this schedule.

**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>
2015	1,009,371	\$ N/A	\$ N/A	5.6 %
2014	1,007,162	36,935,363	37,063	6.2
2013	992,394	36,058,871	36,335	7.1
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

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information from 2006 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center. For 2011 through 2015, the source of the information is the Arizona Office of Employment and Population Statistics.

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

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
University of Arizona	11,251	2.68 %	10,354	2.28 %
Raytheon Missile Systems	9,600	2.29	11,184	2.47
State of Arizona	8,580	2.04	9,927	2.19
Davis Monthan AFB	8,406	2.00	8,233	1.82
Pima County	7,060	1.68	7,290	1.61
Tucson Unified School District	6,770	1.61	7,419	1.64
Banner- University Medicine	6,272	1.49		
US Customs and Border Protection	5,739	1.37		
Freeport-McMoran Mining	5,530	1.32	4,900	1.08
Wal-Mart Stores, Inc.	5,500	1.31	5,625	1.24
Fort Huachuca	5,477	1.30	9,119	2.01
City of Tucson	4,595	1.09	5,848	1.29
Total	<u>84,780</u>	<u>20.18 %</u>	<u>79,899</u>	<u>17.63 %</u>
Total employment	<u>420,000</u>		<u>453,500</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**

	<u>Full-time Equivalent Employees as of June 30</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Supervisory					
Superintendent	1	1	1	1	1
Administrator	1	1	1	2	2
Total supervisory	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
Instruction					
Teachers	10	9	8	7	13
Total instruction	<u>10</u>	<u>9</u>	<u>8</u>	<u>7</u>	<u>13</u>
Support and Administration					
Service workers	6	6	8	13	16
Total support and administration	<u>6</u>	<u>6</u>	<u>8</u>	<u>13</u>	<u>16</u>
Total	<u><u>18</u></u>	<u><u>17</u></u>	<u><u>18</u></u>	<u><u>23</u></u>	<u><u>32</u></u>
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Supervisory					
Superintendent	1	1	1	1	1
Administrator	2	2	2	2	2
Total supervisory	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Instruction					
Teachers	11	12	12	13	14
Total instruction	<u>11</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>14</u>
Support and Administration					
Service workers	29	29	27	26	20
Support and Administration	<u>29</u>	<u>29</u>	<u>27</u>	<u>26</u>	<u>20</u>
Total	<u><u>43</u></u>	<u><u>44</u></u>	<u><u>42</u></u>	<u><u>42</u></u>	<u><u>37</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
2016	50	\$ 1,859,305	\$ 37,042	38.07 %	\$ 1,813,809	\$ 36,135	41.68 %	10	5.0
2015	80	2,140,086	26,828	(6.99)	2,034,543	25,505	(16.31)	9	8.9
2014	69	1,983,107	28,844	(12.20)	2,095,227	30,474	(10.03)	8	8.6
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	11	8.9
2010	123	4,123,419	33,524	(5.43)	4,387,385	35,670	(5.41)	12	10.3
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	13	9.8
2007	138	2,821,232	20,444	2.19	3,074,384	22,278	4.86	14	9.9

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

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

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

	<u>Fiscal Year Ended June 30</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</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.

**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

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, as of and for the year ended June 30, 2016, 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 28, 2016. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 72.

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 entity'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 entity'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 entity'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.
Tucson, Arizona
November 28, 2016