



## **PIMA COUNTY, ARIZONA**

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### *Pima County, Arizona Stadium District*

*(A Component Unit of Pima County, Arizona)*

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**For the Fiscal Year Ended  
June 30, 2005**

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**YEAR ENDED JUNE 30, 2005**

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### Independent Auditors' Report

The Board of Supervisors of Pima County, Arizona  
Pima County, Arizona Stadium District  
Tucson, Arizona

We have audited the accompanying basic financial statements of Pima County, Arizona Stadium District, a Component Unit of Pima County, Arizona, as of June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Pima County, Arizona Stadium District and do not purport to, and do not, present fairly the financial position of the Pima County, Arizona, as of June 30, 2005, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pima County, Arizona Stadium District as of June 30, 2005, and changes in financial position and its cash flows for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of Pima County, Arizona Stadium District'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. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 2 through 7 and budgetary comparison information on page 22 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Beach, Fleischman & Co., P.C.*

September 30, 2005

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

This section of the Pima County, Arizona Stadium District ("the District") financial statements presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2005**

- The District's total net assets increased from \$4,608,980 to \$8,240,054, an increase of \$3,631,074
- As of June 30, 2005, the District reported a positive fund balance of \$483,403 in the special revenue fund in contrast to a deficit of \$3,225,321 for the prior fiscal year.
- The District's total long-term debt decreased by \$1,490,782 from the prior year-end.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event that gives 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 result in cash flows in future fiscal periods (e.g., uncollected surcharges and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and Stadium operations.

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 focus on current inflows and outflows 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 District's current financing requirements.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

Because the focus of a governmental fund is narrower than the government-wide financial statements, it is useful to compare the information presented for the *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 government's near-term financing decisions. Both the *governmental funds balance sheet* and *statement of revenues, expenditures and changes in fund balance* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District uses a *special revenue fund*, which is a type of governmental fund, to account for its financial activity. A special revenue fund may be used to account for certain revenue sources set aside for a specific purpose. The District's revenues are primarily derived from a car-rental surcharge tax and its Stadium operations.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found beginning on page 12 of the accompanying statements.

**Required Supplementary Information** is presented for the District's Special Revenue Fund budgetary schedule. The District adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget, which can be found on page 22 of the accompanying statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously noted, net assets may serve over time as a useful indicator of the District's financial position. The District's condensed statement of net assets for the years that ended June 30, 2005 and June 30, 2004 follows:

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

*Table I. Comparative Statement of Net Assets (Condensed)*

|  | <u>June 30, 2005</u> | <u>June 30, 2004</u> | <u>Variance</u>     |
|--|----------------------|----------------------|---------------------|
| Current and other assets                           | \$ 2,912,520         | \$ 5,129,681         | \$ (2,217,161)      |
| Capital assets                                     | <u>36,424,888</u>    | <u>37,298,713</u>    | <u>(873,825)</u>    |
| Total assets                                       | <u>39,337,408</u>    | <u>42,428,394</u>    | <u>(3,090,986)</u>  |
| Current and other liabilities                      | 335,052              | 5,566,530            | (5,231,478)         |
| Long-term liabilities                              | <u>30,762,102</u>    | <u>32,252,884</u>    | <u>(1,490,782)</u>  |
| Total liabilities                                  | 31,097,154           | 37,819,414           | (6,722,260)         |
| Invested in capital assets,<br>net of related debt | 5,662,786            | 5,045,829            | 616,957             |
| Restricted for capital repairs                     | 75,000               | 75,000               | -                   |
| Cash designated for debt reduction                 | -                    | 1,879,116            | (1,879,116)         |
| Undesignated                                       | <u>2,502,468</u>     | <u>(2,390,965)</u>   | <u>4,893,433</u>    |
| Total net assets                                   | <u>\$ 8,240,254</u>  | <u>\$ 4,608,980</u>  | <u>\$ 3,631,274</u> |

As of June 30, 2005, net assets invested in capital assets, net of related debt, were \$5,662,786. The District uses these capital assets for operations and to provide ancillary services. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it is worth noting that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's unrestricted net assets have a balance of \$2,502,468. Remaining net assets of \$75,000 represent resources that are restricted for capital repairs.

**Governmental Activities** –The District's comparative statement of activities for the years ended June 30, 2005 and June 30, 2004 follows:

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

*Table II. Comparative Statement of Activities*

|  | Fiscal Year                 |                     |                     |
|--|-----------------------------|---------------------|---------------------|
|  | <u>2004-2005</u>            | <u>2003-2004</u>    | <u>Variance</u>     |
| Revenues:                                |                             |                     |                     |
| Car rental surcharge                     | \$ 1,616,648                | \$ 1,493,641        | \$ 123,007          |
| RV space rental surcharge                | 201,244                     | 215,987             | (14,743)            |
| Stadium operations                       | 1,083,731                   | 827,511             | 256,220             |
| Interest                                 | 31,663                      |                     | 31,663              |
| Miscellaneous                            | <u>33,485</u>               | <u>151,222</u>      | <u>(117,737)</u>    |
| Total revenues                           | 2,966,771                   | 2,688,361           | 278,410             |
| Expenses:                                |                             |                     |                     |
| Cultural & recreational expenses         | <u>4,178,295</u>            | <u>4,178,774</u>    | <u>479</u>          |
| Excess of revenues over/(under) expenses | (1,211,524)                 | (1,490,413)         | 278,889             |
| Other financing sources (uses):          |                             |                     |                     |
| Operating transfers in                   | 4,842,798                   | 4,431,641           | 411,157             |
| Operating transfers out                  | <u>                    </u> | <u>(4,189)</u>      | <u>4,189</u>        |
| Change in net assets:                    | 3,631,274                   | 2,937,039           | 694,235             |
| Net assets, beginning of year            | <u>4,608,980</u>            | <u>1,671,941</u>    | <u>2,937,039</u>    |
| Net assets, ending of year               | <u>\$ 8,240,254</u>         | <u>\$ 4,608,980</u> | <u>\$ 3,631,274</u> |

During the year, total revenues increased by \$278,410. The increase resulted primarily from an additional \$243,000 in stadium operations for spring training revenues. Expenses decreased by \$479. As a result, the excess of expenses over revenues declined to \$1,211,524 from \$1,490,413.

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

As noted earlier, the District uses fund accounting, which measures current inflows and outflows of spendable resources, to ensure and demonstrate compliance with finance-related legal requirements.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**Governmental fund** - The governmental functions are recorded within a special revenue fund type. Included in this fund is the special district governed by the Board of Supervisors. The focus of the District's *governmental fund* is to provide information on current financial resources (i.e., near-term inflows, outflows, and balances of *spendable* resources). Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure for the District's net resources available for spending at the end of the fiscal year.

At June 30, 2005, the District's governmental fund reported a fund balance of \$483,403, an increase of \$3,708,724 over the deficit fund balance of \$3,225,321 reported in the prior year. This increase resulted from a transfer in from the General Fund amounting to \$3,420,883 for the purpose of eliminating the deficit balance. Also during 2005, the District eliminated the liability to General Fund by transferring \$5,376,376 of cash. The fund balance amount of \$75,000 reserved for capital repairs is unavailable for operating expenses. .

**BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2005, actual total revenues were above budgeted revenues by \$250,225, with intergovernmental revenues exceeding the budgeted amounts by \$180,178. Actual total expenditures were above budgeted expenditures by \$125,575. As a result, the excess of revenues over expenditures exceeded the budgeted amount by \$124,650.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The District's investment in capital assets as of June 30, 2005 totaled \$36,424,888. Investments include land, the District's baseball stadium complex and equipment.

*Table III. Comparative Governmental Activities - Capital Assets*

|                                | <u>06/30/05</u>      | <u>06/30/04</u>      | <u>Variance</u>     |
|--------------------------------|----------------------|----------------------|---------------------|
| Land                           | \$ 2,127,611         | \$ 2,127,611         |                     |
| Baseball stadium complex       | 39,638,291           | 39,594,375           | \$ 43,916           |
| Equipment                      | 675,237              | 600,778              | 74,459              |
| Less: Accumulated depreciation | <u>(6,016,251)</u>   | <u>(5,024,051)</u>   | <u>(992,200)</u>    |
| Total                          | \$ <u>36,424,888</u> | \$ <u>37,298,713</u> | \$ <u>(873,825)</u> |

The District records the value of its capital assets at historical cost in the government-wide financial statements as required by GASB Statement No. 34 and depreciates all capital assets with the exception of land.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**Long-term debt**

At June 30, 2005, the District had total long-term debt outstanding, excluding amounts due within one year, of \$29,012,102, down from \$30,812,884 in the prior year.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for those interested in its financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Kate O'Rielly, Director  
Pima County Community Resources Department  
2500 East Ajo Way  
Tucson, AZ 85713

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A Component Unit of Pima County, Arizona)**

**GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

|   | <b>Special<br/>Revenue<br/>Fund</b> | <b>Adjustments<br/>(see explanations)</b> | <b>Statement of<br/>Net Assets</b> |
|---|-------------------------------------|---|------------------------------------|
| <b>Assets</b>                                   |                                     |   |                                    |
| Cash  | \$ 139,129                          |   | \$ 139,129                         |
| Other receivables                               | 40,490                              |   | 40,490                             |
| Due from Pima County, General Fund              | 213,633                             | \$ 2,225,808                              | 2,439,441                          |
| Due from other governments                      | 293,460                             |   | 293,460                            |
| Land  |                                     | 2,127,611                                 | 2,127,611                          |
| Buildings, net                                  |                                     | 34,085,464                                | 34,085,464                         |
| Equipment, net                                  |                                     | 211,813                                   | 211,813                            |
| Total assets                                    | \$ 686,712                          | 38,650,696                                | 39,337,408                         |
| <b>Liabilities</b>                              |                                     |   |                                    |
| Accounts payable                                | 39,276                              |   | 39,276                             |
| Accrued payables                                | 19,118                              | (1,600)                                   | 17,518                             |
| Due to Pima County, General Fund                |                                     | 278,258                                   | 278,258                            |
| Deferred revenues                               | 144,915                             | (144,915)                                 |                                    |
| Long-term liabilities:                          |                                     |   |                                    |
| Due within one year                             |                                     | 1,750,000                                 | 1,750,000                          |
| Due after one year                              |                                     | 28,335,000                                | 28,335,000                         |
| Premium on certificates of participation        |                                     | 677,102                                   | 677,102                            |
| Total liabilities                               | 203,309                             | 30,893,845                                | 31,097,154                         |
| <b>Fund balance/net assets</b>                  |                                     |   |                                    |
| Fund balance:                                   |                                     |   |                                    |
| Reserved for capital repairs & refurbishments   | 75,000                              | (75,000)                                  |                                    |
| Unreserved                                      | 408,403                             | (408,403)                                 |                                    |
|   | 483,403                             | (483,403)                                 |                                    |
| Total liabilities and fund balance              | \$ 686,712                          |   |                                    |
| Net assets:                                     |                                     |   |                                    |
| Invested in capital assets, net of related debt |                                     | 5,662,786                                 | 5,662,786                          |
| Restricted for capital repairs & refurbishments |                                     | 75,000                                    | 75,000                             |
| Unrestricted                                    |                                     | 2,502,468                                 | 2,502,468                          |
| Total net assets                                |                                     | \$ 8,240,254                              | \$ 8,240,254                       |

See notes to financial statements.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A Component Unit of Pima County, Arizona)**

**EXPLANATION OF ENTRIES ON STATEMENT OF NET ASSETS**

June 30, 2005

|  |                               |
|--|-------------------------------|
| <b>Fund Balances Reported in the Balance Sheet</b>   | \$ 483,403                    |
| <br>   |                               |
| <b>Capital Assets:</b>   |                               |
| When assets are acquired in a governmental entity, they are expensed in the year in which the expenditure occurs. The Statement of Net Assets requires the recording of these assets on the balance sheet.   |                               |
| Capital assets:  |                               |
| Land   | \$ 2,127,611                  |
| Buildings (net of depreciation)  | 34,085,464                    |
| Equipment (net of depreciation)  | <u>211,813</u>                |
|  | 36,424,888                    |
| <br>   |                               |
| <b>Accrued Payables:</b>   |                               |
| Eliminate employee compensation recorded in prior years.   | 1,600                         |
| <br>   |                               |
| <b>Deferred Revenue:</b>   |                               |
| Revenue applicable to Car and RV space rental surcharges has been deferred in the governmental fund if it has not been received within one month following the fiscal year. However, this revenue is recognized in the government-wide financial statements if it has been earned under U.S. generally accepted accounting principles. |                               |
|  | 144,915                       |
| <br>   |                               |
| <b>Long-Term Liabilities:</b>  |                               |
| Under governmental accounting, only expenditures that are to be paid with current financial resources are recorded on the balance sheet. All long-term liabilities are reported on the Statement of the Net Assets.  |                               |
| Long-term liabilities:   |                               |
| Due within one year  | (1,750,000)                   |
| Due after one year   | (28,335,000)                  |
| Unamortized 2003 Series COP premium  | <u>(677,102)</u>              |
|  | (30,762,102)                  |
| <br>   |                               |
| Due from Pima County general fund resulting from the loss on the refinancing of the capital lease.   | 2,225,808                     |
| <br>   |                               |
| Due to Pima County General Fund:<br>Additional amount due to general fund for its servicing of the capital lease.  | (201,883)                     |
| <br>   |                               |
| Due to general fund for shortage absorbed in prior year for payment on the capital lease.  | <u>(76,375)</u>               |
|  | <u>(278,258)</u>              |
| <br><b>Net Assets Reported in the Statement of Net Assets</b>  | <br><u><u>\$8,240,254</u></u> |

**PIMA COUNTY, ARIZONA STADIUM DISTRICT**  
**(A Component Unit of Pima County, Arizona)**

**GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE (DEFICIT) AND STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2005**

|  | <b>Special<br/>Revenue<br/>Fund</b> | <b>Adjustments<br/>(see explanations)</b> | <b>Statement of<br/>Activities</b> |
|--|-------------------------------------|---|------------------------------------|
| <b>Revenues:</b>   |                                     |   |                                    |
| Car rental surcharge   | \$ 1,594,810                        | \$ 21,838                                 | \$ 1,616,648                       |
| RV space rental surcharge  | 200,368                             | 876                                       | 201,244                            |
| Stadium operations   | 1,083,731                           |   | 1,083,731                          |
| Miscellaneous  | 33,485                              |   | 33,485                             |
| Interest   | 31,663                              |   | 31,663                             |
| <b>Total revenues</b>  | <b>2,944,057</b>                    | <b>22,714</b>                             | <b>2,966,771</b>                   |
| <b>Expenditures/expenses:</b>  |                                     |   |                                    |
| Culture and recreation   | 1,607,229                           | 2,571,066                                 | 4,178,295                          |
| <b>Excess of revenues over (under) expenditures/expenses</b>   | <b>1,336,828</b>                    | <b>(2,548,352)</b>                        | <b>(1,211,524)</b>                 |
| <b>Other financing sources (uses):</b>   |                                     |   |                                    |
| Operating transfers in   | 4,934,074                           | (91,276)                                  | 4,842,798                          |
| Operating transfers out  | (2,562,178)                         | 2,562,178                                 | -                                  |
|  | 2,371,896                           | 2,470,902                                 | 4,842,798                          |
| <b>Excess (deficiency) of revenues and other<br/>sources over expenditures/expenses and other uses</b> | <b>3,708,724</b>                    | <b>(3,708,724)</b>                        |                                    |
| <b>Change in net assets</b>  |                                     | <b>3,631,274</b>                          | <b>3,631,274</b>                   |
| <b>Fund balance (deficit)/net assets, beginning of year</b>  | <b>(3,225,321)</b>                  | <b>7,834,301</b>                          | <b>4,608,980</b>                   |
| <b>Fund balance/net assets, end of year</b>  | <b>\$ 483,403</b>                   | <b>\$ 7,756,851</b>                       | <b>\$ 8,240,254</b>                |

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A Component Unit of Pima County, Arizona)**

**EXPLANATION OF ENTRIES ON STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2005**

**Increase in Fund Balances Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance/(Deficit)** **\$ 3,708,724**

**Revenue:**

Revenue has been deferred in the governmental funds if it has not been received within one month following the fiscal year. However, this revenue is recognized in the government-wide statements if it has been earned under U.S. generally accepted accounting principles.

Car Rental Surcharge

|  |                |        |
|--|----------------|--------|
| Reverse the August 2004 receipts accrued as revenue in 2004 under the full accrual method of accounting. | \$ (115,397)   |        |
| Record revenue originally deferred as they were not collected within the 30 days after year end.         | <u>137,235</u> | 21,838 |

RV Space Rental Surcharge

|  |              |     |
|--|--------------|-----|
| Reverse the August 2004 receipts accrued as revenue in 2004 under the full accrual method of accounting. | (6,804)      |     |
| Record revenue originally deferred as they were not collected within the 30 days after year end.         | <u>7,680</u> | 876 |

Operating Transfers In

|  |  |          |
|--|--|----------|
| Removal of amount in current fiscal year for prior year deferred revenues. |  | (91,276) |
|--|--|----------|

**Capital Assets:**

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

|                                 |  |             |
|---------------------------------|--|-------------|
| Record capital asset disposals. |  | (7,865)     |
| Record depreciation expense.    |  | (1,001,965) |
| Record capital asset additions. |  | 136,004     |

**Long-Term Liabilities:**

Repayment of capital lease payable and the related interest is reported as an operating transfer in the fund statements but the repayment reduces long-term liabilities in the statement of net assets.

|  |                  |                  |
|--|------------------|------------------|
| Record interest expense.   | (1,324,060)      |                  |
| Amortization of the 2003 series COP premium.   | 50,783           |                  |
| Amortization of the amount due from the Pima County general fund resulting from the refunding of COP debt. | <u>(423,963)</u> | (1,697,240)      |
| Operating Transfer Out   |                  |                  |
| Payment to the general fund for its servicing of the capital lease.  |                  | <u>2,562,178</u> |

**Increase in Net Assets Reported in the Statement of Activities** **\$3,631,274**

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

Note 1- Summary of significant accounting policies:

Accounting policies:

The accounting policies of the Pima County, Arizona Stadium District (the 'District') conform to U.S. generally accepted accounting principles applicable to governmental unit as promulgated by the Governmental Accounting Standards Board ('GASB'). A summary of the District's more significant accounting policies follows.

Reporting entity:

The District was formed to promote and establish major league baseball spring training in Pima County, Arizona (the 'County'). The Board of Directors of the Stadium District is comprised of the same individuals who constitute the County Board of Supervisors. In addition, the County Board of Supervisors is able to impose its will on the District as it levies the car rental and recreational vehicle space surcharge rates for the District. Although the District is a legally separate entity, ultimate financial accountability remains with the County.

Government-wide and fund financial statements:

The basic financial statements include the government-wide (based on the District as a whole) and fund financial statements. In the government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities), the governmental activities are prepared using the economic resources measurement focus and the full accrual basis of accounting. The government-wide statements focus more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the individual fund in the governmental category. The governmental fund in the fund financial statement is presented on a current financial resource and modified accrual basis of accounting. This is the manner in which this fund is normally budgeted. Since the governmental fund statement is presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2005**

Note 1- Summary of significant accounting policies (continued):

Basis of presentation:

The District's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the District's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for those resources. The District is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

The District's financial transactions are recorded and reported as a special revenue fund which is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. When both restricted and unrestricted net assets are available to finance fund expenses, restricted resources are used before unrestricted resources.

Basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred. The governmental fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual whereas expenditures are recognized when the fund liability is incurred. In applying the susceptible to accrual concept under the modified accrual basis, revenue sources are deemed both measurable and available if collectible within the current year or within one month of year-end and available to pay obligations of the current period.

Budgetary accounting:

The County adopts, on a modified accrual basis, budgets annually for all governmental fund types.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 1 - Summary of significant accounting policies (continued)

Adopted budgets provide that the beginning unreserved fund balance plus revenues and other financing sources equal expenditures and other uses.

The Stadium District's adopted budget for fiscal year 2004-2005 is reflected as a Special Revenue Fund in the County's adopted budget. Budgetary control is legally maintained at the fund level. The budget is prepared using the modified accrual basis of accounting with encumbrances included as budgetary basis expenditures.

The budget information presented in the accompanying supplementary information reflects the original budget and the amended budget (which may be adjusted for legally authorized revisions of the annual budget during the year). Appropriation balances, including all outstanding encumbrances, lapse at the end of the fiscal year. Any item ordered in a fiscal year but not received is charged against an appropriation in the year that the item is received.

Capital assets:

Property and equipment purchased or acquired is carried at historical cost or estimated historical cost, if actual data was not available. Donated assets are valued at their estimated market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset, which range from 5 years to 50 years.

Car and recreational vehicle (RV) surcharges:

Car and recreational rental surcharge revenues are recognized in the special revenue fund in the fiscal year that they are levied and collected including those collections made within 30 days subsequent to the fiscal year-end. The District levies and the Arizona Department of Revenue collects the surcharge. During the fiscal year, the surcharges were levied by the District's Board of Directors at \$3.50 per car rental contract and \$0.50 per day per RV space within the County.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 1 - Summary of significant accounting policies (continued)

Reimbursements:

The District accounts and reports for interfund transactions that represent expenditures initially made from other funds that are properly chargeable and subsequently reimbursed from its special revenue fund as reimbursements.

Operating transfers in:

Under an administrative procedure dated January 1, 1997, the County Board of Supervisors authorized half of the 2% transient lodging excise tax to be distributed to the District to be used for spring training baseball. The effective date is from December 31, 1996 until January 1, 2013.

Estimates:

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents:

The District has \$139,129 of cash on deposit with the County Treasurer that is available on demand. The Treasurer pools this deposit with other County monies for investment. The District's deposit is included in the Treasurer's investment pool but is not identified with specific investments.

*Credit Risk* – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The County Treasurer's investment pool is unrated.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The County Treasurer's investment pool had a weighted average maturity of 80 days at June 30, 2005.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 2 - Cash and Cash Equivalents (continued)

*Legal Provisions* – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk – Statutes have the following requirements for credit risk:

1. Commercial Paper must be rated P1 by Moody’s investors service or A1 or better by Standard and Poor’s rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody’s investors service or Standard and Poor’s rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investors service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk – Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk – Statutes do not include any requirements for concentration of credit risk.

Interest rate risk – Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk – Statutes do not allow foreign investments

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 3 - Interfund transactions:

Interfund transactions are entered directly into the cash accounts maintained in a central pooled cash account in which many County funds participate and, therefore, due from and due to other County funds are used to record cash deficits, loans or unpaid operating transfers between individual funds. At June 30, 2005, amounts due to/from the County's general fund and the District's special revenue fund were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| Special Revenue        | General             | \$2,439,441   |
| General                | Special Revenue     | \$ 278,258    |

Included in the due from general fund is \$2,225,808 which is applicable to the difference between the carrying amount of the 1997 and 1999 certificates of participation and the reacquisition price which resulted in a loss on the refunding of debt in 2003. This amount is being amortized over a period of 125 months, which is the remaining term of refunded debt. The related amortization expense applicable to this refinancing was \$423,963 for 2005.

The District's cash position is to be reviewed at least twice a year. As the cash position improves funds will be repaid. Annually, Pima County administration determines interest repayment terms. The interest rate on cash transfers will be determined by the State Treasurer's Investment Pool (LGIP) Rate.

Note 4 - Changes in capital assets:

A summary of changes in capital assets follows:

|                              | <u>Balance<br/>July 1, 2004</u> | <u>Additions/<br/>Transfers</u> | <u>Deletions/<br/>Transfers</u> | <u>Balance<br/>June 30, 2005</u> |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Land                         | \$ 2,127,611                    |                                 |                                 | \$ 2,127,611                     |
| Stadium                      | 39,594,375                      | \$ 43,916                       |                                 | 39,638,291                       |
| Equipment                    | 600,778                         | 92,089                          | \$(17,630)                      | 675,237                          |
| Accumulated depreciation     | <u>(5,024,051)</u>              | <u>(1,001,965)</u>              | <u>9,765</u>                    | <u>(6,016,251)</u>               |
| Investment in capital assets | <u>\$37,298,713</u>             | <u>\$ (865,960)</u>             | <u>\$ (7,865)</u>               | <u>\$36,424,888</u>              |

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 5 - Baseball stadium financing:

The baseball stadium was originally financed with proceeds from the sale of certain Pima County jail facilities to First Trust of Arizona, National Association. First Trust financed its acquisition through the issuance of certificates of participation in First Trust's name, which are secured by the jail facilities. The proceeds totaling \$34,500,000 were paid to the County which, in turn, entered into a capital lease agreement with First Trust in an amount of \$35,660,000 for a 15-year term.

The terms of the capital lease are equivalent to the terms of the certificates of participation issued by First Trust, accordingly, as certain series of certificates of participation have been refunded, the terms of the capital lease has been amended. On October 23, 2003, the Series 1997 and 1999 certificates of participation were refunded and the related capital lease agreement was amended which extended the lease term to January 1, 2018 with the interest rates ranging from 2.0% to 5.0%, depending on the coupon.

A summary of changes in the capital lease obligation follows:

| <u>Balance<br/>July 1,2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>June 30,2005</u> | <u>Due in One<br/>Year</u> |
|--------------------------------|------------------|-------------------|---------------------------------|----------------------------|
| \$31,525,000                   | \$ -             | \$(1,440,000)     | \$ 30,085,000                   | \$1,750,000                |

Future maturities of long-term liabilities are as follows:

| <u>Year ending<br/>June 30</u> | <u>Principal</u>     | <u>Interest</u>     |
|--------------------------------|----------------------|---------------------|
| 2006                           | \$ 1,750,000         | \$ 1,292,160        |
| 2007                           | 1,785,000            | 1,230,035           |
| 2008                           | 1,870,000            | 1,138,660           |
| 2009                           | 1,965,000            | 1,062,435           |
| 2010                           | 2,025,000            | 982,335             |
| 2011-2015                      | 12,225,000           | 3,210,170           |
| 2016-2018                      | 8,465,000            | 535,805             |
|                                | <u>\$ 30,085,000</u> | <u>\$ 9,451,600</u> |

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 5 - Baseball stadium financing (continued):

This debt incurred a premium of \$761,740 that is being amortized over the life of the debt. Total amortization and interest expense were \$50,783 and \$1,324,060 in 2005.

Note 6 - Stadium Development and Use Agreement:

In August 1996, the County and District entered into a Sports Complex Development Agreement with the AZPB Limited Partnership and the Chicago White Sox, Ltd. (the 'Agreement') to accommodate the spring training requirements of the Arizona Diamondbacks and the Chicago White Sox. The Agreement required the County and District to construct a baseball stadium and practice fields (the 'Baseball Complex') in Tucson, Arizona by January 15, 1998. The 'Baseball Complex' was completed and Major League training began in the spring of 1998.

In addition, in August 1996, the County and the District entered into a Sports Facilities Use Agreement with both the AZPB Limited Partnership and the Chicago White Sox, Ltd. These agreements are each for an initial 15-year term with five-year renewal periods, and set forth the allocation of spring training game revenues. The County and the District will receive jointly 20 percent of ticket revenue (100 percent of all surcharge and premium ticket revenues) and parking revenue and 100 percent of all soft concession revenue (as defined). The agreements require the County and District to set aside for capital repairs and refurbishment \$75,000 per year for the term of the agreements from the revenues earned under these agreements and other budgeted sources, if necessary. Amounts received under this agreement are included as stadium operations revenues in the accompanying financial statements.

In November 1997, the County and District entered into a Sports Facilities Use Agreement with Professional Sports, Inc. (PSI) that is affiliated with the AAA Pacific Coast League. This agreement stipulates among other things, that PSI shall have exclusive use of the Stadium on game days from April 1 through September 20, annually for a 15-year period. The agreement also sets forth the annual rent based upon turn-style attendance including stadium maintenance and other applicable costs. Amounts received under this agreement are included as stadium operations revenues in the accompanying financial statements.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 7 - Commitments:

Under an intergovernmental agreement dated February 1, 1997, the District agreed to pay to the County all surcharge revenues and project revenues (both terms as defined in the intergovernmental agreement) less operation and maintenance costs.

The District agreed to levy and impose the surcharge and to collect the surcharge revenues and to pledge and assign such surcharge revenues, less operation and maintenance costs, to the County to secure its obligations under a related agreement. The accompanying financial statements include \$2,562,178 as operating transfers out of the District under this intergovernmental agreement.

Under an intergovernmental agreement dated June 9, 1997, the District agreed to take delivery of and use reclaimed water from the City of Tucson, Arizona. The rate and demand for reclaimed water is established pursuant to the Tucson code, for a period of 50 years and may be extended by mutual agreement.

Under an intergovernmental agreement dated June 17, 2003, the District entered into an agreement with the County whereby the District shall reimburse the County for use of County staff and services. Since the District is charged by the general fund for all personnel costs incurred, the District does not separately accrue for compensated absences.

Note 8 - Reservation of fund balance:

Reserve for capital repairs and refurbishments:

This reserve was established to segregate a portion of fund balance for legally restricted resources to be used for stadium capital repairs and refurbishments (see Note 6).

Note 9 - Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; environmental claims; and natural disasters. The District is a participant in Pima County's self-insurance program and, in the opinion of the District's management, any unfavorable outcomes from these risks would be covered by that self-insurance program.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A COMPONENT UNIT OF PIMA COUNTY, ARIZONA)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2005**

Note 9 - Risk management (continued):

Accordingly, the District has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. The District obtained an excess municipal policy to cover claims for all other operations. There were no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the previous 3 years.

Note 10 - Related parties:

For the year ended June 30, 2005, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$608,734. Of that amount, \$549,918 is for staffing, \$49,960 was for self-insurance premiums, and \$14,649 was for utilities. In addition, \$5,793 was provided for goods and services to other Pima County departments.

**PIMA COUNTY, ARIZONA STADIUM DISTRICT  
(A Component Unit of Pima County, Arizona)**

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

**YEAR ENDED JUNE 30, 2005**

|  | <b>Special Revenue Fund</b> |                                 |                                    |   |
|--|-----------------------------|---------------------------------|------------------------------------|---|
|  | <b>Budget</b>               | <b>Final Amended<br/>Budget</b> | <b>Modified Accrual<br/>Actual</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
| <b>Revenues</b>  |                             |                                 |                                    |   |
| Car rental surcharges  | \$ 1,400,000                | \$ 1,400,000                    | \$ 1,594,810                       | \$ 194,810                                      |
| RV space rental surcharges   | 215,000                     | 215,000                         | 200,368                            | (14,632)  |
| Stadium operations   | 1,067,329                   | 1,067,329                       | 1,083,731                          | 16,402  |
| Miscellaneous  | 11,503                      | 11,503                          | 33,485                             | 21,982  |
| Interest   | -                           | -                               | 31,663                             | 31,663  |
| Total revenues   | <u>2,693,832</u>            | <u>2,693,832</u>                | <u>2,944,057</u>                   | <u>250,225</u>                                  |
| <b>Expenditures</b>  |                             |                                 |                                    |   |
| Culture and recreation   | <u>1,481,654</u>            | <u>1,481,654</u>                | <u>1,607,229</u>                   | <u>(125,575)</u>                                |
| Excess of revenues over expenditures   | <u>1,212,178</u>            | <u>1,212,178</u>                | <u>1,336,828</u>                   | <u>124,650</u>                                  |
| Other financing sources (uses):  |                             |                                 |                                    |   |
| Operating transfers in   | 1,350,000                   | 1,350,000                       | 4,934,074                          | 3,584,074                                       |
| Operating transfers out  | <u>(2,562,178)</u>          | <u>(2,562,178)</u>              | <u>(2,562,178)</u>                 | <u>-</u>  |
|  | <u>(1,212,178)</u>          | <u>(1,212,178)</u>              | <u>2,371,896</u>                   | <u>3,584,074</u>                                |
| Excess of revenues and other financing<br>sources over expenditures and other uses | -                           | -                               | 3,708,724                          | 3,708,724                                       |
| Fund balance, beginning of year  | <u>2,877,107</u>            | <u>2,877,107</u>                | <u>(3,225,321)</u>                 | <u>(6,102,428)</u>                              |
| Fund balance, end of year  | <u>\$ 2,877,107</u>         | <u>\$ 2,877,107</u>             | <u>\$ 483,403</u>                  | <u>\$ (2,393,704)</u>                           |



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

Members of the Arizona State Legislature  
The Board of Supervisors of Pima County, Arizona

We have audited the financial statements of Pima County, Arizona Stadium District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pima County, Arizona Stadium District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the management, members of the Arizona State Legislature and the Board of Supervisors of Pima County Arizona and is not intended to be and should not be used by anyone other than these specified parties.

*Beach, Fleischman + Co., P.C.*

September 30, 2005