



Stadium District
(A Component Unit of Pima County, Arizona)

For the Fiscal Year Ended June 30, 2008
Pima County, Arizona

2008



Stadium District
(A Component Unit of Pima County, Arizona)

For the Fiscal Year Ended June 30, 2008
Pima County, Arizona

PIMA COUNTY, ARIZONA
Stadium District
June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the Stadium District, a component unit of Pima County, Arizona, as of and for the year ended June 30, 2008, which collectively comprise the Stadium District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Stadium District. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Stadium District are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Pima County, Arizona that is attributable to the Stadium District, a governmental fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stadium District, a component unit of Pima County, Arizona, as of June 30, 2008, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on page 21 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of the 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. 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.

Heinfeld, Meech & Co., P.C.

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

October 27, 2008



Management's Discussion and Analysis

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2008

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, 2008.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2008

- The District's total net assets increased from \$11,081,778 to \$11,897,856 an increase of \$816,078
- Stadium operations revenue increased by \$292,041. However, transient lodging excise tax revenue transferred in from the General Fund decreased by \$316,274. Expenses increased by \$603,297, primarily due to major refurbishments.

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.

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 car-rental surcharges, transient lodging excise taxes 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.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2008

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 21 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, 2008 and June 30, 2007 follows:

Table I. Comparative Statement of Net Assets (Condensed)

	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>Variance</u>
Current and other assets	\$ 3,332,558	\$ 3,532,241	\$ (199,683)
Capital assets	<u>34,016,481</u>	<u>34,871,513</u>	<u>(855,032)</u>
Total assets	<u>37,349,039</u>	<u>38,403,754</u>	<u>(1,054,715)</u>
Current and other liabilities	246,429	196,440	49,989
Long-term liabilities	<u>25,204,754</u>	<u>27,125,536</u>	<u>(1,920,782)</u>
Total liabilities	<u>25,451,183</u>	<u>27,321,976</u>	<u>(1,870,793)</u>
Invested in capital assets, net of related debt	8,811,727	7,745,976	1,065,751
Restricted for capital repairs	98,691	75,000	23,691
Unrestricted	<u>2,987,438</u>	<u>3,260,802</u>	<u>(273,364)</u>
Total net assets	<u>\$ 11,897,856</u>	<u>\$ 11,081,778</u>	<u>\$ 816,078</u>

As of June 30, 2008, net assets invested in capital assets, net of related debt, were \$8,811,727. 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 \$2,987,438. Remaining net assets of \$98,691 represent resources that are restricted for capital repairs.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2008

Governmental Activities –The District's comparative statement of activities for the years ended June 30, 2008 and June 30, 2007 follows:

Table II. Comparative Statement of Activities

	Fiscal Year		
	<u>2007-08</u>	<u>2006-07</u>	<u>Variance</u>
Revenues:			
Car rental surcharge	\$ 1,740,984	\$ 1,678,233	\$ 62,751
RV space rental surcharge	210,582	206,112	4,470
Stadium operations	1,512,172	1,220,131	292,041
Miscellaneous	82	366	(284)
Interest	15,694	7,296	8,398
Total revenues	<u>3,479,514</u>	<u>3,112,138</u>	<u>367,376</u>
Expenses:			
Cultural & recreational expenses	<u>5,443,314</u>	<u>4,840,017</u>	<u>(603,297)</u>
Excess of revenues over/(under) expenses	(1,963,800)	(1,727,879)	(235,921)
Other financing sources (uses):			
Capital contributions		162,953	(162,953)
Operating transfers in	2,779,878	3,096,152	(316,274)
Operating transfers out		(585)	585
	<u>2,779,878</u>	<u>3,258,520</u>	<u>(478,642)</u>
Change in net assets:	816,078	1,530,641	(714,563)
Net assets, beginning of year	<u>11,081,778</u>	<u>9,551,137</u>	<u>1,530,641</u>
Net assets, end of year	<u>\$ 11,897,856</u>	<u>\$ 11,081,778</u>	<u>\$ 816,078</u>

During the year, total revenues increased by \$367,376. The increase resulted primarily from an increase in Stadium operations revenues. Expenses increased \$603,297. As a result, the excess of expenses over revenues increased \$235,921. Operating transfers in for hotel/motel tax revenues decreased from \$3,096,152 to \$2,779,878 in the current year. Net assets rose from \$11,081,778 to \$11,897,856, an increase of \$816,078.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2008

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.

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, 2008, the District's governmental fund reported a fund balance of \$1,423,608, an increase of \$16,539. The fund balance amount of \$98,691 reserved for capital repairs is unavailable for operating expenses.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2008, actual total revenues exceeded budgeted revenues by \$455,178, with revenues from stadium operations exceeding the budgeted amount by \$396,669. Actual total expenditures were above budgeted expenditures by \$704,909. As a result, the actual excess of revenues over expenditures was \$249,731 less than the budgeted amount. Actual net transfers out exceeded the budgeted amount by \$412,272 and the actual fund balance was \$682,427 less than the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2008 totaled \$34,016,481. Investments include land, the District's baseball stadium complex and equipment.

Table III. Comparative Governmental Activities - Capital Assets

	<u>06/30/08</u>	<u>06/30/07</u>	<u>Variance</u>
Land	\$ 2,127,611	\$ 2,127,611	
Baseball stadium complex	39,638,291	39,638,291	
Equipment	833,556	833,556	\$
Less: Accumulated depreciation	<u>(8,582,977)</u>	<u>(7,727,945)</u>	<u>(855,032)</u>
Total	<u>\$ 34,016,481</u>	<u>\$ 34,871,513</u>	<u>\$ (855,032)</u>

The District records the value of its capital assets at historical cost in the government-wide financial statements and depreciates all capital assets with the exception of land.

Long-term debt

At June 30, 2008, the District had total long-term debt outstanding, excluding amounts due within one year, of \$23,239,754, down from \$25,255,536 in the prior year.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2008

ECONOMIC FACTORS

Tourism based revenues decreased during fiscal year 2007-08 and the trend is expected to continue in the next fiscal year. In addition, discussion has occurred between the Chicago White Sox and the District regarding their current contractual obligations that expire in 2012. While no formal request to release the Chicago White Sox from their contractual obligations has been received by the District, the White Sox have publicly indicated they want to move to Glendale, Arizona, next year. While the Sidewinders have also stated publicly that they plan to move to Reno, Nevada, their contractual obligations with the District expire in 2012.

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:

Mr. Paul Guerrero, Manager
Department of Finance and Risk Management
130 W. Congress
Tucson, AZ 85701



Basic Financial Statements

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Balance Sheet and Statement of Net Assets
June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments (see reconciliation)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 1,160,167		\$ 1,160,167
Other receivables	37,262		37,262
Due from Pima County, General Fund	222,050	\$ 1,630,038	1,852,088
Due from other governments	281,675		281,675
Prepaid expenses	1,366		1,366
Capital assets			
Land		2,127,611	2,127,611
Buildings - net		31,705,216	31,705,216
Equipment - net		183,654	183,654
Total assets	<u>\$ 1,702,520</u>	<u>35,646,519</u>	<u>37,349,039</u>
Liabilities			
Accounts payable	\$ 48,623		48,623
Accrued payables	94,554	21,638	116,192
Due to Pima County, General Fund		76,376	76,376
Deferred revenues	135,735	(130,497)	5,238
Long-term liabilities:			
Due within one year		1,965,000	1,965,000
Due after one year		22,715,000	22,715,000
Premium on certificates of participation (unamortized)		524,754	524,754
Total liabilities	<u>278,912</u>	<u>25,172,271</u>	<u>25,451,183</u>
Fund balance/net assets			
Fund balance:			
Reserved for capital repairs & refurbishments	98,691	(98,691)	
Reserved for prepaids	1,366	(1,366)	
Unreserved	1,323,551	(1,323,551)	
	<u>1,423,608</u>	<u>(1,423,608)</u>	
Total liabilities and fund balance	<u>\$ 1,702,520</u>		
Net assets:			
Invested in capital assets, net of related debt		8,811,727	8,811,727
Restricted for capital repairs & refurbishments		98,691	98,691
Unrestricted		2,987,438	2,987,438
Total net assets		<u>\$ 11,897,856</u>	<u>\$ 11,897,856</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Assets
June 30, 2008

Fund Balance Reported in the Balance Sheet		\$ 1,423,608
Receivables:		
Revenue applicable to the transfer of hotel/motel taxes from Pima County General Fund	167,363	
Due from Pima County General Fund resulting from the loss on the refinancing of the capital lease.	1,462,675	1,630,038
Capital Assets:		
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)	31,705,216	
Equipment (net of depreciation)	183,654	34,016,481
Accrued Payables :		
Long-term compensated absences accrual:		
Amount accrued in prior year	(19,929)	
Adjustment in current fiscal year	(1,709)	(21,638)
Deferred Revenue:		
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.		
		130,497
Long-Term Liabilities:		
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 Net Assets.		
Long-term liabilities:		
Due within one year	(1,965,000)	
Due after one year	(22,715,000)	
Unamortized 2003 Series COPS premium	(524,754)	(25,204,754)
Due to Pima County General Fund:		
Due to General Fund for shortage absorbed in prior years for payment on the capital lease.		(76,376)
Net Assets Reported in the Statement of Net Assets		\$ 11,897,856

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Revenues, Expenditures and Changes
in Fund Balance and Statement of Activities
Year Ended June 30, 2008

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	\$ 1,731,469	\$ 9,515	\$ 1,740,984
RV space rental surcharge	216,964	(6,382)	210,582
Stadium operations	1,512,172		1,512,172
Miscellaneous	82		82
Interest	15,694		15,694
Total revenues	3,476,381	3,133	3,479,514
Expenditures/expenses:			
Culture and recreation	3,238,718	2,204,596	5,443,314
Excess of revenues over (under) expenditures/expenses	237,663	(2,201,463)	(1,963,800)
Other financing sources (uses):			
Transfers in	2,793,136	(13,258)	2,779,878
Transfers out	(3,014,260)	3,014,260	2,779,878
	(221,124)	3,001,002	2,779,878
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses	16,539	(16,539)	
Change in net assets		816,078	816,078
Fund balance/net assets, beginning of year	1,407,069	9,674,709	11,081,778
Fund balance/net assets, end of year	\$ 1,423,608	\$ 10,474,248	\$ 11,897,856

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
Year Ended June 30, 2008

Increase in Fund Balance Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	16,539
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		
Eliminate revenues reported that do not represent the collection of current financial resources.	(120,982)	
Recognize revenues originally deferred as they were not collected within the 30 days after year end.	130,497	9,515
RV Space Rental Surcharge		
Eliminate revenues reported that do not represent the collection of current financial resources.		(6,382)
Transfers:		
Hotel/Motel Taxes		
Eliminate transfers reported that do not represent the collection of current financial resources.	(180,621)	
Recognize revenues due from General Fund that were not collected within the 30 days after year end	167,363	(13,258)
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 depreciation expense.		(855,032)
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.	(1,138,660)	
Record amortization expense	(5,600)	
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.	(254,378)	(1,347,855)
Record long-term compensated absences accrual adjustment		(1,709)
Transfer Out		
Payment to the General Fund for its servicing of the capital lease.		3,014,260
Increase in Net Assets Reported in the Statement of Activities	\$	816,078

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Stadium District (District), a component unit of Pima County, conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the District follows.

During the year ended June 30, 2008, Pima County implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. GASB Statement No. 45 requires systematic measurement and recognition of other post-employment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. However, at fiscal year-end the District had no future liability.

The County has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* for the fiscal year ended June 30, 2008. The District was found to have no pollution remediation liability at this time.

A. Reporting Entity

The District was formed to promote and establish major league baseball spring training in Pima County, Arizona. The County Board of Supervisors is the Board of Directors of the Stadium District. Therefore, 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. However, the financial statements present only the Stadium District, as one of the governmental funds of Pima County, and are not intended to present the balances and activity of Pima County, Arizona, and its entirety.

B. 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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.

C. 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.

D. 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, and investments with the State Treasurer. All investments are stated at fair value.

F. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Arizona Diamondbacks and the Chicago White Socks for the use of the Stadium facilities for spring training.

G. Capital assets

Property and equipment purchased or acquired are 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 are 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.

H. 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.

I. 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

J. Operating Transfers

Under an administrative procedure dated January 1, 1997, the County Board of Supervisors authorized transient lodging excise tax to be distributed to the District for spring training baseball to January 1, 2013. Effective January 1, 2006, the amount was raised to 34% of the 6% tax rate.

K. Budgetary Accounting

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

The Stadium District's adopted budget for fiscal year 2007-2008 is presented 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.

Note 2 Cash and Investments

The District has \$1,160,167 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 262 days at June 30, 2008.

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 2 Cash and Investments (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
Notes to the Financial Statements
June 30, 2008

Note 3 Capital Assets

A summary of changes in capital assets follows:

	Balance July 1, 2007	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2008
Land	\$ 2,127,611			\$ 2,127,611
Stadium	39,638,291			39,638,291
Equipment	833,556			833,556
Accumulated depreciation	<u>(7,727,945)</u>	<u>(855,032)</u>	<u> </u>	<u>(8,582,977)</u>
Investment in capital assets	<u>\$ 34,871,513</u>	<u>(855,032)</u>	<u> </u>	<u>\$ 34,016,481</u>

Note 4 Claims, Judgments and 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.

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 three years.

Note 5 Related Parties

For the year ended June 30, 2008, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$1,590,831. Of that amount, \$998,152 was for staffing, \$56,008 was for self-insurance premiums, and \$536,671 was for administrative overhead.

Note 6 Reservation of Fund Balance

The reserve for capital repairs and refurbishments was established to segregate a portion of fund balance for legally restricted resources to be used for stadium capital repairs and refurbishments (see Note 9).

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 7 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, 2008, 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	\$ 1,852,088
General	Special Revenue	\$ 76,376

Included in the due from general fund is \$1,462,675 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 \$254,378 for 2008.

The District's cash position is to be reviewed at least twice a year. When the cash position improves, the due to General Fund of \$76,376 for shortages absorbed in prior years for payments on the capital lease will be repaid.

The District received transfers of \$2,779,878 for hotel/motel tax revenues from the General Fund which represented 34% of the total received by the County.

Note 8 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 have 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

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 8 Baseball Stadium Financing (continued)

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:

Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due in One Year
\$ 26,550,000		\$ (1,870,000)	\$ 24,680,000	\$ 1,965,000

Future maturities of long-term liabilities are as follows:

June 30	Principal	Interest
2009	\$ 1,965,000	\$ 1,062,435
2010	2,025,000	982,335
2011	2,125,000	878,585
2012	2,230,000	774,385
2013	2,780,000	646,860
2014-2018	13,555,000	1,446,145
	<u>24,680,000</u>	<u>5,790,745</u>

This debt incurred a premium of \$761,740 and the cost of refinancing of \$2,649,770 that is being amortized over the life of the debt. Net amortization and interest expenses were \$203,595 and \$1,138,660 in 2008.

Note 9 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,

PIMA COUNTY, ARIZONA
Stadium District
Notes to the Financial Statements
June 30, 2008

Note 9 Stadium Development and Use Agreement (continued)

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 required the County and District to initially set aside \$75,000 per year for capital repairs and refurbishment. This amount is adjusted annually by the Consumer Price Index 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.

Note 10 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 \$3,014,260 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. The District is charged by the General Fund for any personnel costs incurred. Additionally, the District accrues compensated absences for its direct personnel.

PIMA COUNTY, ARIZONA
Stadium District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - Special Revenue Fund
Year Ended June 30, 2008

	Special Revenue Fund			
	Budget	Final Amended Budget	Modified Accrual Actual	Variance Favorable (Unfavorable)
Revenues				
Car rental surcharges	\$ 1,680,000	\$ 1,680,000	\$ 1,731,469	\$ 51,469
RV space rental surcharges	225,000	225,000	216,964	(8,036)
Stadium operations	1,115,503	1,115,503	1,512,172	396,669
Miscellaneous	700	700	82	(618)
Interest			15,694	15,694
Total revenues	<u>3,021,203</u>	<u>3,021,203</u>	<u>3,476,381</u>	<u>455,178</u>
Expenditures				
Culture and recreation	<u>2,533,809</u>	<u>2,533,809</u>	<u>3,238,718</u>	<u>(704,909)</u>
Excess of revenues over (under) expenditures	<u>487,394</u>	<u>487,394</u>	<u>237,663</u>	<u>(249,731)</u>
Other financing sources (uses):				
Transfers in	3,205,408	3,205,408	2,793,136	(412,272)
Transfers out	<u>(3,014,260)</u>	<u>(3,014,260)</u>	<u>(3,014,260)</u>	<u>(412,272)</u>
	<u>191,148</u>	<u>191,148</u>	<u>(221,124)</u>	<u>(412,272)</u>
Excess of revenues and other financing sources over expenditures and other uses	678,542	678,542	16,539	(662,003)
Fund balance, beginning of year	<u>1,427,493</u>	<u>1,427,493</u>	<u>1,407,069</u>	<u>(20,424)</u>
Fund balance, end of year	<u>\$ 2,106,035</u>	<u>\$ 2,106,035</u>	<u>\$ 1,423,608</u>	<u>\$ (682,427)</u>



Independent Auditor Report



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

The Board of Supervisors
of Pima County, Arizona

Members of the Board:

We have audited the financial statements of the Stadium District, a component unit of Pima County, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

As discussed in Note 1 to the financial statements, the financial statements of the Stadium District are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Pima County, Arizona that is attributable to the Stadium District, a governmental fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, Board of Supervisors, others within the entity and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

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

October 27, 2008