



2010

Stadium District

(A Component Unit of Pima County, Arizona)

Pima County, Arizona
For the Fiscal Year Ended June 30, 2010

PIMA COUNTY, ARIZONA
Stadium District
June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona, as of and for the year ended June 30, 2010, 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, 2010, 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, 2010, 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.

As described in Note 1, the Stadium District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010, which represents a change in accounting principle.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2010, 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 23, 2010



Management's Discussion and Analysis

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2010

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, 2010.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2010

- Operating revenues for the District decreased during the year primarily due to a drop in Charges for Services of \$287,263.
- Expenditures for employee compensation have increased by \$1,011,787 for the year due to 27 playing field maintenance employees being transferred to the District.
- Correspondingly, transfers in increased primarily as a result of a \$1 million transfer in from the County General Fund.
- Overall, the District experienced a decrease in net assets of \$1,168,416.

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.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
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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 19 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, 2010 and June 30, 2009 follows:

Table I. Comparative Statement of Net Assets (Condensed)

	<u>6/30/2010</u>		<u>6/30/2009</u>		<u>Variance</u>
Current and other assets	\$ 3,963,379	\$	6,477,085	\$	(2,513,706)
Capital assets	<u>33,356,618</u>		<u>33,866,258</u>		<u>(509,640)</u>
Total assets	<u>37,319,997</u>		<u>40,343,343</u>		<u>(3,023,346)</u>
Current and other liabilities	552,875		332,023		220,852
Long-term liabilities	<u>21,113,189</u>		<u>23,188,971</u>		<u>(2,075,782)</u>
Total liabilities	<u>21,666,064</u>		<u>23,520,994</u>		<u>(1,854,930)</u>
Invested in capital assets, net of related debt	12,243,429		10,657,132		1,586,297
Restricted for capital repairs			98,031		(98,031)
Unrestricted	<u>3,410,504</u>		<u>6,067,186</u>		<u>(2,656,682)</u>
Total net assets	<u>\$ 15,653,933</u>	\$	<u>16,822,349</u>	\$	<u>(1,168,416)</u>

As of June 30, 2010, net assets invested in capital assets, net of related debt, were \$12,243,429. 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 \$3,410,504. In the prior year, a portion of net assets were reserved for capital repairs. This obligation was written in the contractual agreement between the District and the Chicago White Sox baseball team. At June 30, 2010, this agreement was no longer in effect. Therefore, the District is no longer required to restrict a portion of net assets for capital repairs.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2010

Governmental Activities –The District’s comparative statement of activities for the years ended June 30, 2010 and June 30, 2009 follows:

Table II. Comparative Statement of Activities

	Fiscal Year		<u>Variance</u>
	<u>2009-10</u>	<u>2008-09</u>	
Revenues:			
Car rental surcharge	\$ 1,324,655	\$ 1,369,980	\$ (45,325)
RV space rental surcharge	190,665	163,747	26,918
Stadium operations	668,536	946,799	(278,263)
Miscellaneous	50,203	5,000,825	(4,950,622)
Interest	<u>59,758</u>	<u>62,993</u>	<u>(3,235)</u>
Total revenues	2,293,817	7,544,344	(5,250,527)
Expenses:			
Cultural & recreational	<u>6,589,790</u>	<u>5,444,318</u>	<u>1,145,472</u>
Excess of revenues over/(under) expenses	(4,295,973)	2,100,026	(6,395,999)
Other financing sources (uses):			
Capital contributions	490,685	640,745	(150,060)
Operating transfers in	4,136,872	2,183,722	1,953,150
Operating transfers out	<u>(1,500,000)</u>	<u></u>	<u>(1,500,000)</u>
	<u>3,127,557</u>	<u>2,824,467</u>	<u>303,090</u>
Change in net assets:	(1,168,416)	4,924,493	(6,092,909)
Net assets, beginning of year	<u>16,822,349</u>	<u>11,897,856</u>	<u>4,924,493</u>
Net assets, end of year	<u>\$ 15,653,933</u>	<u>\$ 16,822,349</u>	<u>\$ (1,168,416)</u>

During the year, total revenues decreased by \$5,250,527, primarily the result of the Chicago White Sox payment of \$5,000,000 in the prior year that released them from contractual obligations to the District. Revenues from stadium operations also declined due to lower utilization of the facilities by the annual Gem Show and spring training activities for baseball teams. Car rental surcharges and RV space surcharges remained fairly constant, showing a net decrease of \$18,407, indicative of a bottom to the economic pressure that was prevalent throughout the fiscal year period. Expenses increased by \$1,145,472 due to the integration of the Kino Sports Complex into the District, resulting in an increase in both personnel and field maintenance costs.

As a result, expenses exceeding revenues by \$4,295,973, which was partially offset by an increase in County contributions to help offset the additional costs for field maintenance and the Kino Ecosystem Restoration Project (KERP). Operating transfers in from hotel/motel tax revenues decreased 9%, or \$189,302, in the current year. Net assets declined from \$16,822,349 to \$15,653,933, a decrease of \$1,168,416.

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.

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Management's Discussion and Analysis
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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, 2010, the District's governmental fund reported a fund balance of \$2,377,568, a decrease of \$2,447,505.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2010, actual total revenues exceeded budgeted revenues by \$33,626, with revenues from stadium operations under the budgeted amount by \$181,264. Actual total expenditures were below budgeted expenditures by \$762,492. As a result, the actual excess of revenues over expenditures was \$796,118 more than the budgeted amount. Actual net transfers in were more than the budgeted amount by \$477,952 and the actual fund balance was \$1,274,070 more than the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2010 totaled \$33,356,618. Investments include land, the District's baseball stadium complex and equipment.

Table III. Comparative Governmental Activities - Capital Assets

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Variance</u>
Land	\$ 2,127,611	\$ 2,127,611	
Baseball stadium complex (net)	30,835,359	31,533,857	\$ (698,498)
Equipment (net)	393,648	204,790	188,858
Total	<u>\$ 33,356,618</u>	<u>\$ 33,866,258</u>	<u>\$ (509,640)</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

The District's outstanding debt consists of the 1999 COPs and the 2003 COPs, which refunded outstanding debt on the 1997 COPs and a portion of the 1999 COPs. Overall, outstanding debt decreased by \$2,075,782 to \$21,113,189. No future debt is expected to be issued.

ECONOMIC FACTORS

The District experienced a significant decrease in its' major revenue streams during the continuing recession that occurred this fiscal year. Revenue projections for fiscal year 2010-11 indicate more of a decline in hotel/motel revenues (24% decrease) and car rental surcharges (4% decrease), while RV surcharges are expected to increase significantly (69% increase). Additionally, the ability of the District to obtain a Major League Baseball team to replace those that have relocated elsewhere will affect the financial condition of the District and the local economy.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2010

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, Division Manager
Department of Finance and Risk Management
130 W. Congress, 6th floor
Tucson, AZ 85701



Basic Financial Statements

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Balance Sheet and Statement of Net Assets
June 30, 2010

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Net Assets
Assets			
Cash	\$ 2,487,168		\$ 2,487,168
Other receivables	33,427		33,427
Due from Pima County, General Fund	97,998	\$ 1,104,515	1,202,513
Due from other governments	230,734		230,734
Prepaid expenditures	9,537		9,537
Capital assets			
Land		2,127,611	2,127,611
Buildings - net		30,835,359	30,835,359
Equipment - net		393,648	393,648
Total assets	<u>2,858,864</u>	<u>34,461,133</u>	<u>37,319,997</u>
Liabilities			
Accounts payable	316,326		316,326
Accrued payables	49,959	182,982	232,941
Due to Pima County, General Fund	28		28
Deferred revenues	114,983	(111,403)	3,580
Long-term liabilities:			
Due within one year		2,125,000	2,125,000
Due after one year		18,565,000	18,565,000
Premium on certificates of participation (unamortized)		423,189	423,189
Total liabilities	<u>481,296</u>	<u>21,184,768</u>	<u>21,666,064</u>
Fund balance/net assets			
Fund balance:			
Nonspendable	9,537	(9,537)	
Committed - sports promotion	4,430,706	(4,430,706)	
Unassigned	(2,062,675)	2,062,675	
Total fund balance	<u>2,377,568</u>	<u>(2,377,568)</u>	
Total liabilities and fund balance	<u>\$ 2,858,864</u>		
Net assets:			
Invested in capital assets, net of related debt		12,243,429	12,243,429
Unrestricted		3,410,504	3,410,504
Total net assets		<u>\$ 15,653,933</u>	<u>\$ 15,653,933</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, 2010

Fund Balance Reported in the Balance Sheet		\$ 2,377,568
Receivables:		
Revenue applicable to the transfer of hotel/motel taxes from Pima County General Fund	\$ 150,596	
Due from Pima County General Fund resulting from the loss on the refinancing of the capital lease.	<u>953,919</u>	1,104,515
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)	30,835,359	
Equipment (net of depreciation)	<u>393,648</u>	33,356,618
Accrued Payables:		
Long-term compensated absences accrual:		
Amount accrued in prior year	(1,709)	
Amount accrued in current year	<u>(181,273)</u>	(182,982)
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.		
		111,403
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	(2,125,000)	
Due after one year	(18,565,000)	
Unamortized 2003 Series COPS premium	<u>(423,189)</u>	(21,113,189)
Net Assets Reported in the Statement of Net Assets		<u><u>\$ 15,653,933</u></u>

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, 2010

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	\$ 1,339,960	\$ (15,305)	\$ 1,324,655
RV space rental surcharge	180,969	9,696	190,665
Stadium operations	668,536		668,536
Miscellaneous	50,203		50,203
Interest	59,758		59,758
Total revenues	<u>2,299,426</u>	<u>(5,609)</u>	<u>2,293,817</u>
Expenditures/expenses:			
Culture and recreation	<u>4,293,037</u>	<u>2,296,753</u>	<u>6,589,790</u>
Excess of revenues over (under) expenditures/expenses	<u>(1,993,611)</u>	<u>(2,302,362)</u>	<u>(4,295,973)</u>
Other financing sources (uses):			
Capital contributions		490,685	490,685
Transfers in	4,059,041	77,831	4,136,872
Transfers out	<u>(4,512,935)</u>	<u>3,012,935</u>	<u>(1,500,000)</u>
	<u>(453,894)</u>	<u>3,581,451</u>	<u>3,127,557</u>
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses	(2,447,505)	2,447,505	
Change in net assets		(1,168,416)	(1,168,416)
Fund balance/net assets, beginning of year	<u>4,825,073</u>	<u>11,997,276</u>	<u>16,822,349</u>
Fund balance/net assets, end of year	<u>\$ 2,377,568</u>	<u>\$ 13,276,365</u>	<u>\$ 15,653,933</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2010

Decrease in Fund Balance Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ (2,447,505)
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.	\$ (111,807)	
Record revenues originally deferred as they were not collected within 30 days after year end.	96,502	(15,305)
RV Space Rental Surcharge		
Eliminate revenues reported that do not represent the collection of current financial resources.	(5,205)	
Record revenues originally deferred as they were not collected within 30 days after year end.	14,901	9,696
Transfers:		
Hotel/Motel Taxes		
Eliminate transfers reported that do not represent the collection of current financial resources.	(72,765)	
Record revenues due from Pima County General Fund that were not collected within 30 days after year end.	150,596	77,831
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	(1,111,822)	
Record transfer of asset from Kino Sports Complex	490,685	
Record purchase of asset	111,496	(509,641)
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	(982,335)	
Record amortization expense	(5,600)	
Record elimination of prior year shortage for debt service paid by General Fund	76,376	
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)	(1,115,154)
Record long term compensated absences accrual adjustment.		(181,273)
Transfer Out		
Payment to the General Fund for its servicing of the capital lease.		3,012,935
Decrease in Net Assets Reported in the Statement of Activities		\$ (1,168,416)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

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, 2010, the County adopted early implementation of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes criteria for classifying governmental fund balances into specifically defined classifications to make the nature and extent of the constraints placed on fund balance more transparent. The classifications are as follows: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

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, in 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.

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

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

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. Committed resources are limited by the Board of Supervisors for those expenditures whose activity promotes the use of the sports facilities.

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 various organizations that wish to rent the use of the Stadium facilities for special events.

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 cost 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 Financial Statements
June 30, 2010

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. With the integration of the Kino Sports Complex into the District, additional operating transfers were approved in the budget adopted by the County Board of Supervisors for costs associated with field maintenance and the Kino Ecosystem Restoration Project (KERP).

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 2009-2010 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 \$2,487,168 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 investments had a weighted average maturity of 177 days at June 30, 2010.

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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

Note 2 - Cash and Investments (continued)

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.

Note 3 - Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2010
Land	\$ 2,127,611			\$ 2,127,611
Stadium	40,279,035	\$ 317,387		40,596,422
Equipment	879,054	284,795	\$ (7,818)	1,156,031
Accumulated depreciation	<u>(9,419,443)</u>	<u>(1,111,821)</u>	<u>7,818</u>	<u>(10,523,446)</u>
Investment in capital assets	<u>\$ 33,866,257</u>	<u>\$ (509,639)</u>		<u>\$ 33,356,618</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, 2010, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$2,429,491. Of that amount, \$1,814,072 was for staffing, \$35,466 was for self-insurance premiums, and \$579,953 was for administrative overhead.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

Note 6 - 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, 2010, amounts due to/from the County's General Fund and the District's special revenue fund were as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue	General	\$ 1,202,513
General	Special Revenue	\$ 28

Included in the due from General Fund is \$953,919 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 fiscal year 2009-10.

The District received transfers of \$1,994,420 for hotel/motel tax revenues from the General Fund which represented 34% of the total received by the County.

Note 7 - 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 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 June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due in One Year
\$ 22,715,000		\$ (2,025,000)	\$ 20,690,000	\$ 2,125,000

Future maturities of long-term liabilities are as follows:

June 30	Principal	Interest
2011	\$ 2,125,000	\$ 878,585
2012	2,230,000	774,385
2013	2,780,000	646,860
2014	2,485,000	510,950
2015	2,605,000	399,390
2016-2018	8,465,000	535,805
	\$ 20,690,000	\$ 3,745,975

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

Note 7 - Baseball Stadium Financing (continued)

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 \$982,335 in fiscal year 2009-10.

Note 8 - 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 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.

In September of 2008, the Tucson Sidewinders discontinued operations at the Stadium. In March of 2009 the Chicago White Sox discontinued their use of the Stadium facilities.

Note 9 - 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 \$3,012,935 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2010

Note 9 – Commitments (continued)

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, 2010

	Special Revenue Fund			
	Budget	Final Amended Budget	Modified Accrual Actual	Variance Favorable (Unfavorable)
Revenues				
Car rental surcharges	\$ 1,300,000	\$ 1,300,000	\$ 1,339,960	\$ 39,960
RV space rental surcharges	104,000	104,000	180,969	76,969
Stadium operations	849,800	849,800	668,536	(181,264)
Interest	12,000	12,000	59,758	47,758
Other miscellaneous revenue			50,203	50,203
Total revenues	<u>2,265,800</u>	<u>2,265,800</u>	<u>2,299,426</u>	<u>33,626</u>
Expenditures				
Culture and recreation	5,055,529	5,055,529	4,293,037	762,492
Excess of revenues over (under) expenditures	<u>(2,789,729)</u>	<u>(2,789,729)</u>	<u>(1,993,611)</u>	<u>796,118</u>
Other financing sources (uses):				
Transfers in	3,581,089	3,581,089	4,059,041	477,952
Transfers out	(4,512,935)	(4,512,935)	(4,512,935)	
	<u>(931,846)</u>	<u>(931,846)</u>	<u>(453,894)</u>	<u>477,952</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>(3,721,575)</u>	<u>(3,721,575)</u>	<u>(2,447,505)</u>	<u>1,274,070</u>
Fund balance, beginning of year	<u>4,955,134</u>	<u>4,955,134</u>	<u>4,825,073</u>	<u>(130,061)</u>
Fund balance, end of year	<u>\$ 1,233,559</u>	<u>\$ 1,233,559</u>	<u>\$ 2,377,568</u>	<u>\$ 1,144,009</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

We have audited the financial statements of the governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona as of and for the year ended June 30, 2010, which collectively comprise Stadium District's basic financial statements and have issued our report thereon dated October 23, 2010, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. 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.

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

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

As described in Note 1, the Stadium District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010, which represents a change in accounting principle.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2010, 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.
Certified Public Accountants

October 23, 2010