

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

2011



For the Fiscal Year Ended June 30, 2011

PIMA COUNTY, ARIZONA
Stadium District
June 30, 2011

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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, 2011, 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 special revenue fund (blended component unit) 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, 2011, 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 governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona, as of June 30, 2011, 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.

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 18 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 November 9, 2011, 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

November 9, 2011



Management's Discussion and Analysis

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2011

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, 2011.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2011

- The District's unassigned fund balance remains at a deficit. Fiscal year 2010-11 experienced an increase of \$269,821 in the deficit, from \$2,062,675 to \$2,332,496.
- The fund's expenditures exceeded its revenues by \$3,835,827 as compared to the prior year where the difference was \$4,295,973.
- Overall, the District experienced an increase in net assets of \$1,501,826, primarily due to the \$1,500,000 subsidy transferred from the General Fund.

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
Year Ended June 30, 2011

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 18 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, 2011 and June 30, 2010 follows:

Table I. Comparative Statement of Net Assets (Condensed)

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>
Current and other assets	\$ 3,181,759	\$ 3,963,379	\$ (781,620)
Capital assets	<u>33,176,693</u>	<u>33,356,618</u>	<u>(179,925)</u>
Total assets	<u>36,358,452</u>	<u>37,319,997</u>	<u>(961,545)</u>
Current and other liabilities	265,287	552,875	(287,588)
Long-term liabilities	<u>18,937,406</u>	<u>21,113,189</u>	<u>(2,175,783)</u>
Total liabilities	<u>19,202,693</u>	<u>21,666,064</u>	<u>(2,463,371)</u>
Invested in capital assets, net of related debt	14,239,286	12,243,429	1,995,857
Unrestricted	<u>2,916,473</u>	<u>3,410,504</u>	<u>(494,031)</u>
Total net assets	<u>\$ 17,155,759</u>	<u>\$ 15,653,933</u>	<u>\$ 1,501,826</u>

As of June 30, 2011, net assets invested in capital assets, net of related debt, were \$14,239,286. 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 \$2,916,473.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2011

Governmental Activities –The District’s comparative statement of activities for the years ended June 30, 2011 and June 30, 2010 follows:

Table II. Comparative Statement of Activities

	Fiscal Year		Variance
	<u>2010-11</u>	<u>2009-10</u>	
Revenues:			
Car rental surcharge	\$ 1,392,329	\$ 1,324,655	\$ 67,674
RV space rental surcharge	153,841	190,665	(36,824)
Stadium operations	480,220	668,536	(188,316)
Miscellaneous	83,432	50,203	33,229
Interest	24,566	59,758	(35,192)
Total revenues	<u>2,134,388</u>	<u>2,293,817</u>	(159,429)
Expenses:			
Cultural & recreational	<u>5,970,215</u>	<u>6,589,790</u>	(619,575)
Excess of revenues over/(under) expenses	(3,835,827)	(4,295,973)	460,146
Other financing sources (uses):			
Capital contributions	671,699	490,685	181,014
Operating transfers in	4,671,395	4,136,872	534,523
Operating transfers out	<u>(5,441)</u>	<u>(1,500,000)</u>	1,494,559
	<u>5,337,653</u>	<u>3,127,557</u>	2,210,096
Change in net assets:	1,501,826	(1,168,416)	2,670,242
Net assets, beginning of year	<u>15,653,933</u>	<u>16,822,349</u>	(1,168,416)
Net assets, end of year	<u>\$ 17,155,759</u>	<u>\$ 15,653,933</u>	<u>\$ 1,501,826</u>

During the year, total revenues decreased by \$159,429, primarily the result Stadium operation revenue was down \$188,316, 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 increase of \$30,850, indicative of a bottom to the economic pressure that was prevalent throughout the fiscal year period. Expenses decreased by \$619,575 due to personnel vacancies and a reduction of the inventory for chemicals.

As a result, expenses exceeding revenues by \$3,835,827, 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 1%, or \$15,660, in the current year. Net assets increased from \$15,653,933 to \$17,155,759, an increase of \$1,501,826.

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

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

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2011

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, *unassigned 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, 2011, the District's governmental fund reported a fund balance of \$2,107,747, a decrease of \$269,821.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2011, actual total revenues exceeded budgeted revenues by \$285,433, with revenues from stadium operations over the budgeted amount by \$166,004. Actual total expenditures were below budgeted expenditures by \$321,449. As a result, the actual excess of revenues over expenditures was \$606,882 more than the budgeted amount. Actual net transfers in were more than the budgeted amount by \$1,673,385 and the actual fund balance was \$2,797,588 more than the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2011 totaled \$33,176,693. Investments include land, the District's baseball stadium complex and equipment.

Table III. Comparative Governmental Activities - Capital Assets

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>
Land	\$ 2,127,611	\$ 2,127,611	
Baseball stadium complex (net)	30,656,714	30,835,359	\$ (178,645)
Equipment (net)	392,368	393,648	(1,280)
Total	<u>\$ 33,176,693</u>	<u>\$ 33,356,618</u>	<u>\$ (179,925)</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 \$2,175,783 to \$18,937,406. 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 2011-12 indicate an increase in hotel/motel revenues (8% increase) and car rental surcharges (4% increase), while RV surcharges are expected to decrease (9% decrease). 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, 2011

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, 2011

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Net Assets
Assets			
Cash	\$ 1,899,488		\$ 1,899,488
Other receivables	76,303		76,303
Due from Pima County, General Fund	127,568	\$ 827,671	955,239
Due from other governments	250,729		250,729
Capital assets			
Land		2,127,611	2,127,611
Buildings - net		30,656,714	30,656,714
Equipment - net		392,368	392,368
Total assets	<u>2,354,088</u>	<u>34,004,364</u>	<u>36,358,452</u>
Liabilities			
Accounts payable	10,994		10,994
Accrued payables	61,209	183,163	244,372
Due to Pima County, General Fund	9,921		9,921
Deferred revenues	164,217	(164,217)	
Long-term liabilities:			
Due within one year		2,230,000	2,230,000
Due after one year		16,335,000	16,335,000
Premium on certificates of participation (unamortized)		372,406	372,406
Total liabilities	<u>246,341</u>	<u>18,956,352</u>	<u>19,202,693</u>
Fund balance/net assets			
Fund balance:			
Committed	4,440,243	(4,440,242)	
Unassigned	(2,332,496)	2,332,496	
Total fund balance	<u>2,107,747</u>	<u>(2,107,746)</u>	
Total liabilities and fund balance	<u>\$ 2,354,088</u>		
Net assets:			
Invested in capital assets, net of related debt		14,239,286	14,239,286
Unrestricted		2,916,473	2,916,473
Total net assets		<u>\$ 17,155,759</u>	<u>\$ 17,155,759</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, 2011

Fund Balance Reported in the Balance Sheet		\$ 2,107,747
Receivables:		
Revenue applicable to the transfer of hotel/motel taxes from Pima County General Fund	\$ 128,130	
Due from Pima County General Fund resulting from the loss on the refinancing of the capital lease.	<u>699,541</u>	827,671
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)	30,656,714	
Equipment (net of depreciation)	<u>392,368</u>	33,176,693
Accrued Payables:		
Long-term compensated absences accrual:		
Amount accrued in prior year	(182,983)	
Amount accrued in current year	<u>(180)</u>	(183,163)
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.		
		164,217
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	(2,230,000)	
Due after one year	(16,335,000)	
Unamortized 2003 Series COPS premium	<u>(372,406)</u>	(18,937,406)
Net Assets Reported in the Statement of Net Assets		<u><u>\$ 17,155,759</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, 2011

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	\$ 1,372,901	\$ 19,428	\$ 1,392,329
RV space rental surcharge	164,805	(10,964)	153,841
Stadium operations	474,704	5,516	480,220
Miscellaneous	44,598	38,834	83,432
Interest	24,566		24,566
Total revenues	<u>2,081,574</u>	<u>52,814</u>	<u>2,134,388</u>
Expenditures/expenses:			
Culture and recreation	<u>4,026,713</u>	<u>1,943,502</u>	<u>5,970,215</u>
Excess of revenues over (under) expenditures/expenses	<u>(1,945,139)</u>	<u>(1,890,688)</u>	<u>(3,835,827)</u>
Other financing sources (uses):			
Capital contributions		671,699	671,699
Transfers in	4,689,944	(18,549)	4,671,395
Transfers out	(3,014,626)	3,009,185	(5,441)
	<u>1,675,318</u>	<u>3,662,335</u>	<u>5,337,653</u>
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses	(269,821)	269,822	
Change in net assets		1,501,826	1,501,826
Fund balance/net assets, beginning of year	<u>2,377,568</u>	<u>13,276,365</u>	<u>15,653,933</u>
Fund balance/net assets, end of year	<u>\$ 2,107,747</u>	<u>\$ 15,048,013</u>	<u>\$ 17,155,759</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, 2011

Decrease in Fund Balance Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ (269,821)
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 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.	\$ (96,502)	
Record revenues originally deferred as they were not collected within 30 days after year end.	<u>115,930</u>	19,428
RV Space Rental Surcharge		
Eliminate revenues reported that do not represent the collection of current financial resources.	(14,901)	
Record revenues originally deferred as they were not collected within 30 days after year end.	<u>3,937</u>	(10,964)
Other Revenues		
Record revenues originally deferred as they were not collected within 30 days after year end.		
Rents and royalties	38,834	
Facility fees	<u>5,516</u>	44,350
Transfers:		
Hotel/Motel Taxes		
Eliminate transfers reported that do not represent the collection of current financial resources.	(150,597)	
Record revenues due from Pima County General Fund that were not collected within 30 days after year end.	<u>128,130</u>	(22,467)
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	(928,855)	
Record capital contributions	671,699	
Record purchase of asset	<u>77,230</u>	(179,926)
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	(878,585)	
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.	<u>(254,378)</u>	(1,087,780)
Record long term compensated absences accrual adjustment.		(180)
Transfer Out		
Payment to the General Fund for its servicing of the capital lease.		3,009,185
Increase in Net Assets Reported in the Statement of Activities		<u><u>\$ 1,501,825</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

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.

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 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

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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).

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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 2010-2011 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 \$1,899,488 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 198 days at June 30, 2011.

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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

Note 2 - Cash and Investments (continued)

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, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Land	\$ 2,127,611	\$		\$ 2,127,611
Stadium	40,596,422	671,699		41,268,121
Equipment	1,156,031	77,230		1,233,261
Accumulated depreciation	(10,523,446)	(928,854)		(11,452,300)
Investment in capital assets	<u>\$ 33,356,618</u>	<u>\$ (179,925)</u>		<u>\$ 33,176,693</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, 2011, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$2,150,107. Of that amount, \$1,604,327 was for staffing, \$31,040 was for self-insurance premiums, and \$514,746 was for administrative overhead.

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, 2011, amounts due to/from the County's General Fund, Other Internal Service 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	\$ 955,239
General	Special Revenue	\$ 7,928
Other Internal Services	Special Revenue	\$ 1,993

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

Note 6 - Interfund Transactions (continued)

Included in the due from General Fund is \$699,541 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 2010-11.

The District received transfers of \$3,189,943 for hotel/motel tax revenues from the General Fund which represented 34% of the total received by the County. The District also received a \$1,500,00 subsidy from the General Fund.

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, 2010	Additions	Reductions	Balance June 30, 2011	Due in One Year
\$ 20,690,000		\$ (2,125,000)	\$ 18,565,000	\$ 2,230,000

Future maturities of long-term liabilities are as follows:

June 30	Principal	Interest
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	2,710,000	293,090
2016-2018	5,755,000	242,715
	\$ 18,565,000	\$ 2,867,390

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 \$878,585 in fiscal year 2010-11.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2011

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. In March of 2010 the Arizona Diamondbacks 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 \$3,009,185 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, 2011

	Special Revenue Fund			Variance Favorable (Unfavorable)
	Budget	Final Amended Budget	Modified Accrual Actual	
Revenues				
Car rental surcharges	\$ 1,252,152	\$ 1,252,152	\$ 1,372,901	\$ 120,749
RV space rental surcharges	175,289	175,289	164,805	(10,484)
Stadium operations	308,700	308,700	474,704	166,004
Interest	60,000	60,000	44,598	(15,402)
Other miscellaneous revenue	-	-	24,566	24,566
Total revenues	<u>1,796,141</u>	<u>1,796,141</u>	<u>2,081,574</u>	<u>285,433</u>
Expenditures				
Culture and recreation	<u>4,348,162</u>	<u>4,348,162</u>	<u>4,026,713</u>	<u>321,449</u>
Excess of revenues over (under) expenditures	<u>(2,552,021)</u>	<u>(2,552,021)</u>	<u>(1,945,139)</u>	<u>606,882</u>
Other financing sources (uses):				
Transfers in	3,011,118	3,011,118	4,689,944	1,678,826
Transfers out	<u>(3,009,185)</u>	<u>(3,009,185)</u>	<u>(3,014,626)</u>	<u>(5,441)</u>
	<u>1,933</u>	<u>1,933</u>	<u>1,675,318</u>	<u>1,673,385</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>(2,550,088)</u>	<u>(2,550,088)</u>	<u>(269,821)</u>	<u>2,280,267</u>
Fund balance, beginning of year	<u>1,860,247</u>	<u>1,860,247</u>	<u>2,377,568</u>	<u>517,321</u>
Fund balance, end of year	<u>\$ (689,841)</u>	<u>\$ (689,841)</u>	<u>\$ 2,107,747</u>	<u>\$ 2,797,588</u>



Independent Auditor Report



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**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, 2011, which collectively comprise Stadium District's basic financial statements and have issued our report thereon dated November 9, 2011. 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

Management of the Stadium District is responsible for establishing and maintaining effective 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.

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 management, the 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

November 9, 2011