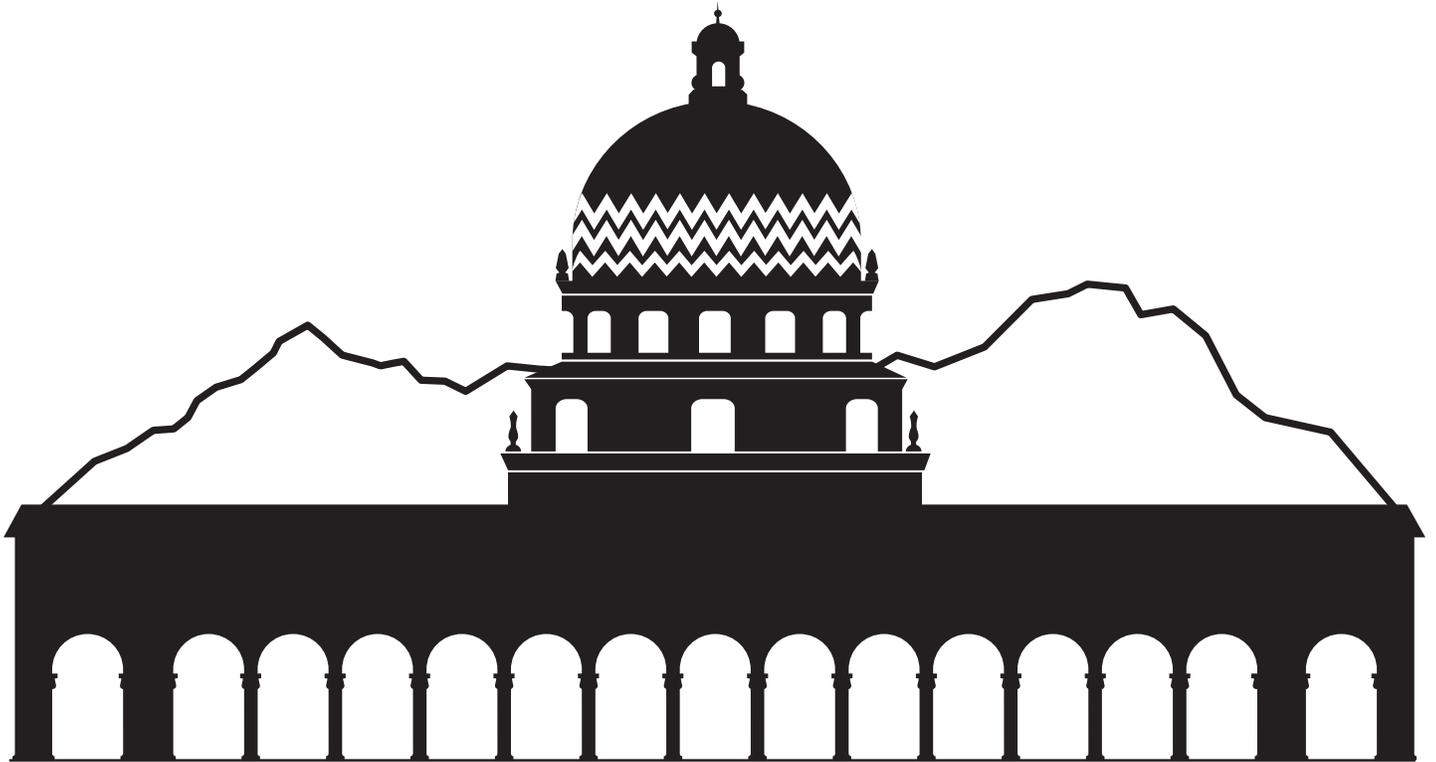


2013



Stadium District

(A Component Unit of Pima County, Arizona)

Pima County, Arizona

For the Fiscal Year Ended June 30, 2013

PIMA COUNTY, ARIZONA
Stadium District
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors
of Pima County, Arizona

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Stadium District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stadium District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stadium District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Stadium District implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, for the year ended June 30, 2013, which represents a change in accounting principle. In addition, as described in Note 1, the Stadium District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to these matters.

Fund Financial Statements

As discussed in Note 1, the financial statements of the Stadium District are reported as a governmental fund of Pima County, Arizona, and are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Pima County, Arizona that is attributable to the transactions of the Stadium District. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2013, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of 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* in considering Stadium District's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 6, 2013



Management's Discussion and Analysis

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2013

Our discussion and analysis of the Pima County Arizona Stadium District (“the District”) financial performance provides an overview of the District’s financial activities for the year ended June 30, 2013. Please read it in conjunction with the District financial statements, which presents a discussion and analysis of the District’s financial performance during the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2013

- The District’s governmental fund balance remains at a deficit of \$618,206. Committed fund balance decreased to \$2,015,783 from \$4,440,243 due to an operating transfer of \$2,424,460 to the Pima County Capital Projects Fund for soccer field improvements.
- The unassigned fund balance deficit increased from \$2,174,814 to a deficit fund balance of \$2,633,989.
- In the Statement of Activities, the fund’s expenses exceeded its revenues by \$4,343,376 as compared to the prior year whereby the deficit was \$3,638,233. Net position decreased by \$1,344,987 to \$17,023,009.

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

The statement of activities presents information showing how net position changed during the fiscal year. All changes in net position 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, 2013

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 position may serve over time as a useful indicator of the District's financial position. The District's condensed statement of net position for the years that ended June 30, 2013 and June 30, 2012 follows:

Table I. Comparative Statement of Net Position (Condensed)

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Variance</u>
Current and other assets	\$ 652,893	\$ 3,331,553	\$ (2,678,660)
Capital assets	<u>31,519,670</u>	<u>32,320,066</u>	<u>(800,396)</u>
Total assets	<u>32,172,563</u>	<u>35,651,619</u>	<u>(3,479,056)</u>
Current and other liabilities	1,229,947	627,000	602,947
Long-term liabilities	<u>13,919,607</u>	<u>16,656,623</u>	<u>(2,737,016)</u>
Total liabilities	<u>15,149,554</u>	<u>17,283,623</u>	<u>(2,134,069)</u>
Net investment in capital assets	17,600,063	15,663,443	1,936,620
Unrestricted	<u>(577,054)</u>	<u>2,704,553</u>	<u>(3,281,607)</u>
Total net position	<u>\$ 17,023,009</u>	<u>\$ 18,367,996</u>	<u>\$ (1,344,987)</u>

As of June 30, 2013, net investment in capital assets was \$17,600,063. 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 position has a deficit balance of \$577,054.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2013

Governmental Activities –The District’s comparative statement of activities for the years ended June 30, 2013 and June 30, 2012 follows:

Table II. Comparative Statement of Activities

	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2011-12</u>	<u>Variance</u>
Revenues:			
Car rental surcharge	\$ 1,389,430	\$ 1,461,817	\$ (72,387)
RV space rental surcharge	134,946	145,936	(10,990)
Stadium operations	1,039,349	218,840	820,509
Miscellaneous		1,117,174	(1,117,174)
Interest	22,701	21,169	1,532
Total revenues	<u>2,586,426</u>	<u>2,964,936</u>	<u>(378,510)</u>
Expenses:			
Cultural & recreation	<u>6,929,802</u>	<u>6,603,169</u>	<u>326,633</u>
Excess of revenues over/(under) expenses	(4,343,376)	(3,638,233)	(705,143)
Other financing sources (uses):			
Capital contributions	30,893		30,893
Operating transfers in	4,837,674	4,860,737	(23,063)
Operating transfers out	<u>(1,870,178)</u>	<u>(10,268)</u>	<u>(1,859,910)</u>
	<u>2,998,389</u>	<u>4,850,469</u>	<u>(1,852,080)</u>
Change in net position:	(1,344,987)	1,212,236	(2,557,223)
Net position, beginning of year	<u>18,367,996</u>	<u>17,155,760</u>	<u>1,212,236</u>
Net position, end of year	<u>\$ 17,023,009</u>	<u>\$ 18,367,996</u>	<u>\$ (1,344,987)</u>

During the year, total revenues decreased by \$378,510. In the prior year, Facilities fees were reported under miscellaneous revenue. During the current fiscal year these revenues of \$1,039,349 were reclassified as Stadium operations. The decrease of \$296,665 is net the change when combining Stadium operations and miscellaneous revenue. This decrease is primarily due to a \$250,000 final revenue payment from the Chicago White Sox in fiscal year 2012. Decreased activity in car rentals and recreational vehicle (RV) space rentals generated corresponding decreases in revenue. Car rental surcharges and RV space surcharges decreased by \$83,377.

Expenses increased from the prior year due mainly to the implementation of GASB Statement No. 65, which resulted in the expensing of issuance costs of \$329,797.

As a result, expenses exceeded revenues by \$4,343,376 which was partially offset by a \$1,500,000 subsidy transferred from the General Fund. Operating transfers in from hotel/motel tax revenues decreased 0.4% or \$8,812 in the current year. Net position decreased from \$18,367,996 to \$17,023,009, a 7% decrease of \$1,344,987.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

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

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

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2013, actual total revenues exceeded budgeted revenues by \$244,798 with revenues from Stadium operations over the budgeted amount by \$777,455 due to a reclassification from miscellaneous revenue. Actual total expenditures exceeded budgeted expenditures by \$59,820 primarily due to increased purchases of sod for the soccer field improvements. As a result, the actual excess of revenues over expenditures was \$184,978 more than the budgeted amount. Actual net transfers in were more than the budgeted amount by \$1,475,189 due to a \$1,500,000 transfer not in the District's budget and the actual fund balance deficit was \$1,186,482 more than the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2013 totaled \$31,519,670, a decrease of \$800,396. Capital asset investments include land, the District's baseball stadium complex and equipment.

Table III. Comparative Governmental Activities - Capital Assets

	<u>6/30/2013</u>		<u>6/30/2012</u>		<u>Variance</u>
Land	\$ 2,127,611	\$	2,127,611		
Baseball stadium complex (net)	28,874,888		29,764,574	\$	(889,686)
Equipment (net)	517,171		427,881		89,290
Total	<u>\$ 31,519,670</u>	<u>\$</u>	<u>32,320,066</u>	<u>\$</u>	<u>(800,396)</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.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
Year Ended June 30, 2013

Long-term debt

In the current year, the District refunded \$13,555,000 of prior year debt consisting of \$1,220,000 for the 1999 COPS and \$12,335,000 for the 2003 COPS. The District refinanced the debt with 2013 COPS for \$12,705,000. The refinancing resulted in a decrease in debt of \$850,000. No future debt is expected to be issued.

Table IV. Debt

	<u>Fiscal year 2012</u>	<u>Payments</u>	<u>Refunded</u>	<u>New debt</u>	<u>Fiscal year 2013</u>
1999 COPS	\$ 4,000,000	\$ 2,780,000	\$ 1,220,000		
2003 COPS	12,335,000		12,335,000		
2013 Refund				\$ 12,705,000	\$ 12,705,000
	<u>\$ 16,335,000</u>	<u>\$ 2,780,000</u>	<u>\$ 13,555,000</u>	<u>\$ 12,705,000</u>	<u>\$ 12,705,000</u>

ECONOMIC FACTORS

The District continues to experience a significant decrease in major revenue streams during the continuing recession that occurred this fiscal year. Revenue projections for fiscal year 2013-14 indicate a 2% increase in hotel/motel revenues, a 3% decrease in car rental surcharges and a 15% decrease in RV surcharges. The District continues to explore other long term revenue generating activities that will improve its financial condition to benefit the local economy.

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



PIMA COUNTY

Basic Financial Statements

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Balance and Statement of Net Position
June 30, 2013

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Net Position
Assets			
Other receivables	\$ 270,755		\$ 270,755
Due from Pima County, General Fund	86,788	\$ 47,741	134,529
Due from other governments	247,609		247,609
Capital assets			
Land		2,127,611	2,127,611
Buildings - net		28,874,888	28,874,888
Equipment - net		517,171	517,171
Total assets	605,152	31,567,411	32,172,563
Liabilities			
Accounts payable	240,598		240,598
Accrued payables	80,289	251,032	331,321
Due to Pima County, General Fund	650,953		650,953
Unearned revenues	7,075		7,075
Long-term liabilities:			
Due within one year		2,330,000	2,330,000
Due after one year		10,375,000	10,375,000
Premium on certificates of participation (unamortized)		1,214,607	1,214,607
Total liabilities	978,915	14,170,639	15,149,554
Deferred inflows of resources			
Deferred inflows - intergovernmental	107,508	(107,508)	
Deferred inflows - other	136,935	(136,935)	
Total deferred inflows of resources	244,443	(244,443)	
Total liabilities and deferred inflows of resources	1,223,358		
Fund balance/net position			
Fund balance:			
Committed	2,015,783	(2,015,783)	
Unassigned	(2,633,989)	2,633,989	
Total fund balance	(618,206)	618,206	
Total liabilities, deferred inflows and fund balance	\$ 605,152		
Net position:			
Net investment in capital assets		17,600,063	17,600,063
Unrestricted		(577,054)	(577,054)
Total net position		\$ 17,023,009	\$ 17,023,009

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
 Stadium District
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Position
 June 30, 2013

Fund balance - governmental fund		\$ (618,206)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenues are not received shortly after June 30, 2013, and therefore are not reported in the governmental funds</p>		
Hotel/Motel taxes due from General Fund		47,741
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Land	2,127,611	
Buildings	41,268,121	
Equipment	1,259,285	
Less accumulated depreciation	<u>(13,135,347)</u>	31,519,670
<p>Some compensated absences are not due and payable shortly after June 30, 2013, and therefore are not reported in the governmental funds</p>		
Employee compensation accrued in prior year	(252,114)	
Employee compensation accrued in current year	<u>1,082</u>	(251,032)
<p>Deferred inflows of resources in governmental funds is susceptible to the accrual basis on the government-wide statements</p>		
		244,443
<p>Some liabilities and their associated costs are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Certificates of participation payable - current portion	(2,330,000)	
Certificates of participation payable - long term portion	(10,375,000)	
Unamortized premium	<u>(1,214,607)</u>	(13,919,607)
Net position of governmental activities		<u><u>\$ 17,023,009</u></u>

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Revenues, Expenditures and Changes
in Fund Balance and Statement of Activities
Year Ended June 30, 2013

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	1,398,973	\$ (9,543)	\$ 1,389,430
RV space rental surcharge	136,195	(1,249)	134,946
Stadium operations	934,929	104,420	1,039,349
Interest	22,701		22,701
Total revenues	<u>2,492,798</u>	<u>93,628</u>	<u>2,586,426</u>
Expenditures/expenses:			
Culture and recreation	<u>4,682,183</u>	<u>2,247,619</u>	<u>6,929,802</u>
Excess of revenues over (under) expenditures/expenses	<u>(2,189,385)</u>	<u>(2,153,991)</u>	<u>(4,343,376)</u>
Other financing sources (uses):			
Capital contributions		30,893	30,893
Transfers in	4,885,193	(47,519)	4,837,674
Transfers out	<u>(5,579,443)</u>	<u>3,709,265</u>	<u>(1,870,178)</u>
	<u>(694,250)</u>	<u>3,692,639</u>	<u>2,998,389</u>
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses	(2,883,635)	2,883,635	
Change in net position		(1,344,987)	(1,344,987)
Fund balance/net position, beginning of year	<u>2,265,429</u>	<u>16,102,567</u>	<u>18,367,996</u>
Fund balance/net position, end of year	<u><u>(618,206)</u></u>	<u><u>\$ 17,641,215</u></u>	<u><u>\$ 17,023,009</u></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, 2013

Net change in fund balance - governmental fund		\$ (2,883,635)
Some revenues reported in the Statement of Activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds		
Car rental surcharge	(9,543)	
RV space rental surcharge	(1,249)	
Facility fees	<u>104,420</u>	93,628
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives and reported as depreciation expense		
Capital contribution	30,893	
Expenditures for capital assets	148,141	
Less current year depreciation	<u>(979,430)</u>	(800,396)
Some transfers from the Pima County General fund reported in the Statement of Activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds		
Hotel/Motel taxes		(47,519)
Repayment of certificates of participation 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 Position.		
Interest expense	(646,860)	
Fiscal charges	(282,405)	
Issuance cost	(329,798)	
Amortization of premium	96,028	
Amortization of refunding debt	<u>(254,377)</u>	(1,417,412)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Change in compensated absences		1,082
Payment to General Fund - servicing of capital lease		<u>3,709,265</u>
Change in Net Position of Statement of Activities		<u><u>\$ (1,344,987)</u></u>

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

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, 2013, the County implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB Pronouncements. The County also early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources.

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 Position and the Statement of Activities) the governmental activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide statements focus more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) are 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

D. Basis of Presentation

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

The District's financial transactions are recorded and reported as a special revenue fund which is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. When both restricted and unrestricted net assets are available to finance fund expenses, restricted resources are used before unrestricted resources. 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 in which they are levied and collected, including those collections made within 30 days subsequent to the fiscal year-end. The District levies, and the Arizona Department of Revenue collects the surcharge. During the fiscal year, the surcharges were levied by the District's Board of Directors at \$3.50 per car rental contract and \$0.50 per day per RV space within the County.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

I. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The fund only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *unavailable revenue* is reported only in the governmental fund balance sheet. The fund reports unavailable revenue from the special sales tax on recreation vehicles and on an excise tax for car rentals. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. 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.

K. Operating Transfers

On January 1, 1997, The County Board of Supervisors authorized transient lodging excise tax to be distributed to the District. 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).

L. 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 2012-2013 is presented as a Special Revenue Fund in the County's adopted budget. Budgetary control is legally maintained at the fund level.

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 County Treasurer holds cash on deposit for the District. 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 2 - Cash and Investments (continued)

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 497 days at June 30, 2013.

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

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

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

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

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

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

Foreign currency risk – Statutes do not allow foreign investments.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 3 - Capital Assets

A summary of changes in capital assets follows:

	Balance <u>June 30, 2012</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	Balance <u>June 30, 2013</u>
Land	\$ 2,127,611			\$ 2,127,611
Stadium	41,268,121			41,268,121
Equipment	1,202,092	\$ 179,034	\$ (121,841)	1,259,285
Accumulated depreciation	(12,277,758)	(979,430)	121,841	(13,135,347)
Investment in capital assets	<u>\$ 32,320,066</u>	<u>\$ (800,396)</u>	<u>\$</u>	<u>\$ 31,519,670</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, 2013, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$2,727,429. Of that amount, \$2,032,129 was for staffing, \$22,262 was for self-insurance premiums, and \$673,038 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, 2013, amounts due to/from the County's General Fund and the District's special revenue fund were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue	General	\$ 134,529
General	Special Revenue	\$ 650,953

Due from general fund consists of the hotel/motel taxes received after August 30, 2013. The District received transfers of \$4,837,674 of which \$4,837,277 is from the General Fund. \$2,089,673 was for

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 6 - Interfund Transactions (continued)

hotel/motel taxes which represented 34% of the total received by the County, \$1,058,002 for upkeep of the ball fields \$189,602 for (KERP) and \$1,500,000 for operating and maintenance costs.

Note 7 - Baseball Stadium Financing

The Tucson Electric Park stadium was originally constructed to promote professional baseball spring training. In September of 2008, Tucson Sidewinders discontinued operations at the Stadium. With the departure of the Chicago White Sox in March of 2009 and the Arizona Diamondbacks in March of 2010, the District has refocused the use of ball fields into soccer fields for use by youth, semi-professional and professional soccer teams. The 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 May 1 2013, the Series 1999 and 2003 certificates of participation were refunded and Series 2013B certificates of participation were issued. The lease term remained the same with the interest rates ranging from 1.5% to 5.0%, depending on the coupon.

A summary of changes in the capital lease obligation follows:

Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due in One Year
\$ 16,335,000	\$ 12,705,000	\$ (16,335,000)	\$ 12,705,000	\$ 2,330,000

Future maturities of long-term liabilities are as follows:

June 30	Principal	Interest
2014	\$ 2,330,000	\$ 500,458
2015	2,420,000	434,050
2016	2,520,000	334,750
2017	2,650,000	205,500
2018	2,785,000	69,625
	<u>\$ 12,705,000</u>	<u>\$ 1,544,383</u>

This debt incurred a premium of \$1,259,853.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2013

Note 8 - 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 \$5,579,443 of which \$3,144,455 is principal and interest are 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 for a period of 50 years which may be extended by mutual agreement. The rate and demand for reclaimed water is established pursuant to the Tucson code.

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.

PIMA COUNTY, ARIZONA
Stadium District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - Special Revenue Fund
Year Ended June 30, 2013

	Special Revenue Fund			Variance Favorable (Unfavorable)
	Budget	Final Amended Budget	Modified Accrual Actual	
Revenues				
Car rental surcharges	\$ 1,470,000	\$ 1,470,000	\$ 1,398,973	\$ (71,027)
RV space rental surcharges	158,000	158,000	136,195	(21,805)
Stadium operations	153,000	153,000	930,455	777,455
Interest	12,000	12,000	22,701	10,701
Other miscellaneous revenue	455,000	455,000	4,474	(450,526)
Total revenues	<u>2,248,000</u>	<u>2,248,000</u>	<u>2,492,798</u>	<u>244,798</u>
Expenditures				
Culture and recreation	4,622,363	4,622,363	4,682,183	(59,820)
Excess of revenues over (under) expenditures	<u>(2,374,363)</u>	<u>(2,374,363)</u>	<u>(2,189,385)</u>	<u>184,978</u>
Other financing sources (uses):				
Transfers in	3,410,004	3,410,004	4,885,193	1,475,189
Transfers out	(3,442,988)	(3,442,988)	(5,579,443)	(2,136,455)
	<u>(32,984)</u>	<u>(32,984)</u>	<u>(694,250)</u>	<u>(661,266)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>(2,407,347)</u>	<u>(2,407,347)</u>	<u>(2,883,635)</u>	<u>(476,288)</u>
Fund balance, beginning of year	<u>602,659</u>	<u>602,659</u>	<u>2,265,429</u>	<u>1,662,770</u>
Fund balance, end of year	<u>\$ (1,804,688)</u>	<u>\$ (1,804,688)</u>	<u>\$ (618,206)</u>	<u>\$ 1,186,482</u>

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

Independent Auditor's Report

The Board of Supervisors
of Pima County, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Stadium District's basic financial statements, and have issued our report thereon dated November 6, 2013. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statements No. 62 and No. 65.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Stadium District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stadium District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stadium District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Stadium District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Stadium District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Stadium District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 6, 2013