

2014

Stadium District

(A Component Unit of Pima County, Arizona)



Pima County, Arizona
For the Fiscal Year Ended June 30, 2014

PIMA COUNTY, ARIZONA
Stadium District
June 30, 2014

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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, 2014, 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 entity'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 entity'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, 2014, 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.

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, 2014, 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 October 21, 2014, 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

October 21, 2014



Management's Discussion and Analysis

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014. 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, 2014.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2014

- The unassigned fund balance deficit decreased from \$2,633,989 to a deficit fund balance of \$2,603,141.
- Net position increased by \$4,230,742 to \$21,253,751, primarily as a result of the completion of the north soccer fields project of \$3,212,069.

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
For the Year Ended June 30, 2014

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, 2014 and June 30, 2013 follows:

Table I. Comparative Statement of Net Position (Condensed)

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>
Current and other assets	\$ 407,993	\$ 652,893	\$ (244,900)
Capital assets	<u>34,063,678</u>	<u>31,519,670</u>	<u>2,544,008</u>
Total assets	<u>34,471,671</u>	<u>32,172,563</u>	<u>2,299,108</u>
Current and other liabilities	1,880,283	1,229,947	650,336
Long-term liabilities	<u>11,337,637</u>	<u>13,919,607</u>	<u>(2,581,970)</u>
Total liabilities	<u>13,217,920</u>	<u>15,149,554</u>	<u>(1,931,634)</u>
Net investment in capital assets	22,726,041	17,600,063	5,125,978
Unrestricted	<u>(1,472,290)</u>	<u>(577,054)</u>	<u>(895,236)</u>
Total net position	<u>\$ 21,253,751</u>	<u>\$ 17,023,009</u>	<u>\$ 4,230,742</u>

As of June 30, 2014, net investment in capital assets was \$22,726,041. 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 \$1,472,290.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Governmental Activities –The District’s comparative statement of activities for the years ended June 30, 2014 and June 30, 2013 follows:

Table II. Comparative Statement of Activities

	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2012-13</u>	<u>Variance</u>
Revenues:			
Car rental surcharge	\$ 1,385,540	\$ 1,389,430	\$ (3,890)
RV space rental surcharge	123,527	134,946	(11,419)
Stadium operations	1,045,697	1,039,349	6,348
Miscellaneous	8,195		8,195
Interest	4,132	22,701	(18,569)
Total revenues	<u>2,567,091</u>	<u>2,586,426</u>	<u>(19,335)</u>
Expenses:			
Cultural and recreation	<u>5,691,810</u>	<u>6,929,802</u>	<u>(1,237,992)</u>
Deficiency of revenues under expenses	(3,124,719)	(4,343,376)	1,218,657
Other financing sources (uses):			
Capital contributions	3,212,069	30,893	3,181,176
Operating transfers in	4,876,626	4,837,674	38,952
Operating transfers (out)	(733,234)	(1,870,178)	1,136,944
	<u>7,355,461</u>	<u>2,998,389</u>	<u>4,357,072</u>
Change in net position:	4,230,742	(1,344,987)	5,575,729
Net position, beginning of year	<u>17,023,009</u>	<u>18,367,996</u>	<u>(1,344,987)</u>
Net position, end of year	<u>\$ 21,253,751</u>	<u>\$ 17,023,009</u>	<u>\$ 4,230,742</u>

During the year, total revenues decreased by \$19,335. Decreased activity in car rentals and recreational vehicle (RV) space rentals generated corresponding decreases in revenue, as car rental surcharges and RV space surcharges decreased by \$15,309.

Expenses decreased from the prior year due mainly to the decreases in fiscal charges and interest expense incurred on the debt.

As a result, expenses exceeded revenues by \$3,124,719 which was partially offset by a \$1,500,000 subsidy transferred from the General Fund. Operating transfers in from hotel/motel tax revenues decreased .2% or \$3,321 in the current year. Net position increased from \$17,023,009 to \$21,253,751, a 24% increase of \$4,230,742.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014, actual total revenues exceeded budgeted revenues by \$398,919 with revenues from Stadium operations over the budgeted amount by \$1,003,287 and miscellaneous revenue under budget by \$451,010 due to reclassifications between Stadium operations and miscellaneous revenue. Budgeted total expenditures exceeded actual expenditures by \$350,324. As a result, the budget excess of revenues over expenditures was \$749,243 more than the actual amount. Actual net transfers in were more than the budgeted amount by \$1,410,271 due to a \$1,500,000 transfer not in the District's budget and the actual fund balance deficit was \$1,722,520 less than the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2014 totaled \$34,063,678, an increase of \$2,544,008. Capital asset investments include land, the District's baseball stadium complex and equipment.

Table III. Comparative Governmental Activities - Capital Assets

	<u>6/30/2014</u>		<u>6/30/2013</u>		<u>Variance</u>
Land	\$ 2,127,611	\$	2,127,611		
Baseball stadium complex (net)	31,291,403		28,874,888	\$	2,416,515
Equipment (net)	644,664		517,171		127,493
Total	<u>\$ 34,063,678</u>	<u>\$</u>	<u>31,519,670</u>	<u>\$</u>	<u>2,544,008</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. The current fiscal year saw the completion of the Kino Sports Complex North for the District \$3,212,069.

PIMA COUNTY, ARIZONA
Stadium District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Long-term debt

The District's outstanding debt consists of the 2013B COPs. The outstanding debt decreased from \$12,705,000 to \$10,375,000. No future debt is expected to be issued.

ECONOMIC FACTORS

The District's efforts to become a regional soccer hub are supported by recent and forthcoming capital investments. These include the renovation of Kino North Stadium as well as the scheduled acquisition of 167 acres of adjacent land in Fiscal Year 2014-15. These improvements will serve to better accommodate the increasing popularity of various soccer-related bookings such as large-scale tournaments and major league soccer exhibition games. These actions, in addition to a further broadening of the retail and concert business segments, are expected to provide diverse and sustainable revenues that can support the Stadium District through changing economic conditions.

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, CPA, 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 Sheet and Statement of Net Position
June 30, 2014

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Net Position
Assets			
Other receivables	\$ 46,910		\$ 46,910
Due from Pima County, General Fund	81,987	\$ 42,892	124,879
Due from other governments	236,204		236,204
Capital assets:			
Land		2,127,611	2,127,611
Buildings - net		31,291,403	31,291,403
Equipment - net		644,664	644,664
Total assets	<u>365,101</u>	<u>34,106,570</u>	<u>34,471,671</u>
Liabilities			
Accounts payable	225,320		225,320
Accrued payables	95,801	268,885	364,686
Due to Pima County, General Fund	1,290,218		1,290,218
Due to other funds	12		12
Unearned revenues	47		47
Long-term liabilities:			
Due within one year		2,420,000	2,420,000
Due in more than one year		7,955,000	7,955,000
Premium on certificates of participation (unamortized)		962,637	962,637
Total liabilities	<u>1,611,398</u>	<u>11,606,522</u>	<u>13,217,920</u>
Deferred inflows of resources			
Unavailable revenue - intergovernmental	104,992	(104,992)	
Unavailable revenue - other	26,487	(26,487)	
Total deferred inflows of resources	<u>131,479</u>	<u>(131,479)</u>	
Total liabilities and deferred inflows of resources	<u>1,742,877</u>		
Fund balance/net position			
Fund balance:			
Committed	1,225,365	(1,225,365)	
Unassigned	(2,603,141)	2,603,141	
Total fund balance	<u>(1,377,776)</u>	<u>1,377,776</u>	
Total liabilities, deferred inflows and fund balance	<u>\$ 365,101</u>		
Net position:			
Net investment in capital assets		22,726,041	22,726,041
Unrestricted		(1,472,290)	(1,472,290)
Total net position		<u>\$ 21,253,751</u>	<u>\$ 21,253,751</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 Position
 June 30, 2014

Fund balance - governmental fund		\$ (1,377,776)
<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, 2014, and therefore are not reported in the governmental fund</p>		
Hotel/Motel taxes due from General Fund		42,892
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund</p>		
Land	2,127,611	
Buildings	44,685,354	
Equipment	1,424,963	
Less accumulated depreciation	<u>(14,174,250)</u>	34,063,678
<p>Some compensated absences are not due and payable shortly after June 30, 2014, and therefore are not reported in the governmental fund</p>		
Employee compensation accrued in prior year	(251,032)	
Employee compensation accrued in current year	<u>(17,853)</u>	(268,885)
<p>Deferred inflows of resources in the governmental fund is susceptible to the accrual basis on the government-wide statements</p>		
		131,479
<p>Some liabilities and their associated costs are not due and payable in the current period and therefore are not reported in the governmental fund</p>		
Certificates of participation payable - current portion	(2,420,000)	
Certificates of participation payable - long term portion	(7,955,000)	
Unamortized premium	<u>(962,637)</u>	(11,337,637)
Net position of governmental activities		<u><u>\$ 21,253,751</u></u>

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Revenues, Expenditures and Changes
in Fund Balance and Statement of Activities
For the Year Ended June 30, 2014

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	\$ 1,389,856	\$ (4,316)	\$ 1,385,540
RV space rental surcharge	121,726	1,801	123,527
Stadium operations	1,156,287	(110,590)	1,045,697
Interest	8,195		8,195
Miscellaneous	3,990	142	4,132
Total revenues	<u>2,680,054</u>	<u>(112,963)</u>	<u>2,567,091</u>
Expenditures/expenses:			
Culture and recreation	<u>4,689,422</u>	<u>1,002,388</u>	<u>5,691,810</u>
Deficiency of revenues under expenditures/expenses	<u>(2,009,368)</u>	<u>(1,115,351)</u>	<u>(3,124,719)</u>
Other financing sources (uses):			
Capital contributions		3,212,069	3,212,069
Transfers in	4,881,475	(4,849)	4,876,626
Transfers (out)	(3,631,677)	2,898,443	(733,234)
	<u>1,249,798</u>	<u>6,105,663</u>	<u>7,355,461</u>
Excess (deficiency) of revenues and other sources over (under) expenditures/expenses and other uses	(759,570)	759,570	
Change in net position		4,230,742	4,230,742
Fund balance/net position, beginning of year	<u>(618,206)</u>	<u>17,641,215</u>	<u>17,023,009</u>
Fund balance/net position, end of year	<u>\$ (1,377,776)</u>	<u>\$ 22,631,527</u>	<u>\$ 21,253,751</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
For the Year Ended June 30, 2014

Net change in fund balance - governmental fund		\$ (759,570)
<p>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</p>		
Car rental surcharge	(4,316)	
RV space rental surcharge	1,801	
Facility fees	(110,590)	
Miscellaneous	<u>142</u>	(112,963)
<p>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</p>		
Capital contribution	3,212,069	
Expenditures for capital assets	430,080	
Less current year depreciation	<u>(1,098,141)</u>	2,544,008
<p>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</p>		
Hotel/Motel taxes		(4,849)
<p>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</p>		
Interest expense	(500,458)	
Fiscal charges	(67,985)	
Amortization of premium	<u>251,969</u>	(316,474)
<p>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 fund</p>		
Change in compensated absences		(17,853)
Payment to the General Fund - servicing of capital lease		<u>2,898,443</u>
Change in net position of Statement of Activities		<u>\$ 4,230,742</u>

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2014

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 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.

In 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.

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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2014

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 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 2013-2014 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, 2014

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 525 days at June 30, 2014.

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, 2014

Note 3 - Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2013	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2014
Land	\$ 2,127,611			\$ 2,127,611
Stadium	41,268,121	\$ 3,417,233		44,685,354
Equipment	1,259,285	224,916	\$ (59,238)	1,424,963
Accumulated depreciation	(13,135,347)	(1,098,141)	59,238	(14,174,250)
Investment in capital assets	<u>\$ 31,519,670</u>	<u>\$ 2,544,008</u>		<u>\$ 34,063,678</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, 2014, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling \$2,787,479. Of that amount, \$2,070,001 was for staffing, \$48,381 was for self-insurance premiums, and \$669,097 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, 2014, 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	\$ 124,879
General	Special Revenue	\$ 1,290,218

Due from general fund consists of the hotel/motel taxes received after August 30, 2014. The District received transfers of \$4,881,475 from the General Fund. \$2,133,871 was for 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.

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2014

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, 2013	Additions	Reductions	Balance June 30, 2014	Due in One Year
\$ 12,705,000		\$ (2,330,000)	\$ 10,375,000	\$ 2,420,000

Future maturities of long-term liabilities are as follows:

June 30	Principal	Interest
2015	\$ 2,420,000	\$ 434,050
2016	2,520,000	334,750
2017	2,650,000	205,500
2018	2,785,000	69,625
	\$ 10,375,000	\$ 1,043,925

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

PIMA COUNTY, ARIZONA
Stadium District
Notes to Financial Statements
June 30, 2014

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 \$3,631,675 of which \$2,830,458 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 and Actual - Special Revenue Fund
 For the Year Ended June 30, 2014

	Special Revenue Fund			Variance Favorable (Unfavorable)
	Budget	Final Amended Budget	Modified Accrual Actual	
Revenues				
Car rental surcharges	\$ 1,493,000	\$ 1,493,000	\$ 1,389,856	\$ (103,144)
RV space rental surcharges	159,000	159,000	121,726	(37,274)
Stadium operations	153,000	153,000	1,156,287	1,003,287
Investment earnings	21,135	21,135	8,195	(12,940)
Other miscellaneous revenue	455,000	455,000	3,990	(451,010)
Total revenues	<u>2,281,135</u>	<u>2,281,135</u>	<u>2,680,054</u>	<u>398,919</u>
Expenditures				
Culture and recreation	5,039,746	5,039,746	4,689,422	350,324
Deficiency of revenues under expenditures/expenses	<u>(2,758,611)</u>	<u>(2,758,611)</u>	<u>(2,009,368)</u>	<u>749,243</u>
Other financing sources (uses):				
Transfers in	3,471,204	3,471,204	4,881,475	1,410,271
Transfers (out)	(3,484,773)	(3,484,773)	(3,631,677)	(146,904)
	<u>(13,569)</u>	<u>(13,569)</u>	<u>1,249,798</u>	<u>1,263,367</u>
Deficiency of revenues under expenditures/expenses	(2,772,180)	(2,772,180)	(759,570)	2,012,610
Fund balance, beginning of year	<u>(328,116)</u>	<u>(328,116)</u>	<u>(618,206)</u>	<u>(290,090)</u>
Fund balance, end of year	<u>\$ (3,100,296)</u>	<u>\$ (3,100,296)</u>	<u>\$ (1,377,776)</u>	<u>\$ 1,722,520</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 Stadium District, a component unit of Pima County, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stadium District's basic financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Stadium District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity'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 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 entity'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 entity'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

October 21, 2014