2018

Stadium District

(A Component Unit of Pima County, Arizona)

ANNUAL FINANCIAL REPORT

PIMA COUNTY

Pima County, Arizona • For the Fiscal Year Ended June 30, 2018

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BEACHFLEISCHMAN

Independent Auditors' Report

Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities and major fund of the Stadium District, a component unit of Pima County, Arizona as of and for the year ended June 30, 2018, 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.

Auditors' 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 auditors' 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Fund Financial Statements

As discussed in Note 1, the financial statements of the Stadium District are reported as a special revenue 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 and special revenue fund 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, 2018, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by *GASB Statement No. 85, Omnibus 2017*. 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, budgetary comparison information, and the pension plan and other post employment benefit plan (OPEB) information, as listed in the table of contents, 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 15, 2018, on our consideration of the Stadium District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Stadium District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
October 15, 2018

PIMA COUNTY

Management's Discussion and Analysis

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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, 2018. 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, 2018.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2018

- The unassigned fund balance deficit increased from $3,024,197 to a deficit fund balance of $3,702,291.
- Net position increased by $1,183,573 to $33,815,784 primarily as a result of decrease in capital lease obligations of $2,991,725 offset by the current year depreciation of $1,246,480.

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.

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 22 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, 2018 and June 30, 2017 follows:

Table I. Comparative Statement of Net Position (Condensed)

	6/30/2018	6/30/2017 (restated)	Variance
Current and other assets	$ 846,442	$ 668,041	$ 178,401
Capital assets	39,211,978	40,323,246	(1,111,268)
Total assets	40,058,420	40,991,287	(932,867)
Deferred outflows of resources			
Pension and other postemployment benefits	260,703	396,650	(135,947)
Total deferred outflows of resources	260,703	396,650	(135,947)
Current and other liabilities	3,998,298	3,088,271	910,027
Long-term liabilities	2,320,726	5,340,621	(3,019,895)
Total liabilities	6,319,024	8,428,892	(2,109,868)
Deferred inflows of resources			
Pension and other postemployment benefits	184,315	326,835	(142,520)
Total deferred inflows of resources	184,315	326,835	(142,520)
Net investment in capital assets	39,211,978	37,331,521	1,880,457
Unrestricted	(5,396,194)	(4,699,310)	(696,884)
Total net position	$ 33,815,784	$ 32,632,211	$ 1,183,573

As of June 30, 2018, net investment in capital assets was $39,211,978. 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 $5,396,194.

Governmental Activities –The District's comparative statement of activities for the years ended June 30, 2018 and June 30, 2017 follows:

Table II. Comparative Statement of Activities

	6/30/2018	6/30/2017 (restated)	Variance
Revenues:			
Car rental surcharge	$ 1,546,609	$ 1,426,155	$ 120,454
RV space rental surcharge	65,344	163,473	(98,129)
Stadium operations	1,177,590	1,153,651	23,939
Interest	2,405	5,233	(2,828)
Miscellaneous	7,187	199	6,988
Total revenues	2,799,135	2,748,711	50,424
Expenses:			
Culture and recreation	6,339,113	6,353,264	(14,151)
Deficiency of revenues under expenses	(3,539,978)	(3,604,553)	64,575
Other financing sources (uses):			
Proceeds from sale of capital assets	841		841
Capital contributions		2,889	(2,889)
Operating transfers in	4,732,346	4,803,666	(71,320)
Operating transfers (out)	(9,636)	(11,527)	1,891
	4,723,551	4,795,028	(71,477)
Change in net position:	1,183,573	1,190,475	(6,902)
Net position, beginning of year as restated	32,632,211	31,441,736	1,190,475
Net position, end of year	$ 33,815,784	$ 32,632,211	$ 1,183,573

During the year, total revenues increased by $50,424. Car rental surcharge revenues went up by $120,454 and an increase in stadium operations resulted in a corresponding increase in revenue of $23,939 partially offset by a decrease of $98,129 in RV space rental surcharge revenues.

Expenses decreased $14,151 from the prior year due mainly to a decrease of amortized debt discount and interest expense.

As a result, expenses exceeded revenues by $3,539,978, which was partially offset by a $1,177,931 subsidy transferred from the General Fund. Operating transfers in from hotel/motel tax revenues decreased from $2,335,986 to $2,248,139, a 4% decrease of $87,847. Transfers (out) decreased $1,891 due to a decrease in debt service activity. Net position increased from $32,632,211 to $33,815,784, a 4% increase of $1,183,573.

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, 2018, actual total revenues exceeded the budgeted amount by $464,263, with revenues for Stadium operations over the budgeted amount by $396,007. Car rental and recreational vehicle rental surcharges over the budgeted amount by $30,067 and $33,690 respectively. Total expenditures were under the budgeted total by $205,184. As a result, total deficiency of revenues under expenditures was $669,447 under the budgeted amount. Actual net transfers in were under the budgeted amount by $178,872, primarily due to the delays in receipts for hotel tax proceeds; $167,482 in FY18 hotel motel tax proceeds were received too late at the state Treasurer's office for recording as revenue in the current year. The actual fund balance deficit was $682,815 less than the budgeted amount.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2018 totaled $39,211,978 a decrease of $1,111,268 compared to the prior year. Capital asset investments include land, the District's baseball stadium complex, and equipment.

Table III. Comparative Governmental Activities – Capital Assets

	6/30/2018	6/30/2017	Variance
Land	$ 10,879,212	$ 10,879,212	
Baseball stadium complex (net)	27,698,303	28,731,662	$ (1,033,359)
Equipment (net)	634,463	712,372	(77,909)
Total	$ 39,211,978	$ 40,323,246	$ (1,111,268)

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. Total capital assets decreased $1,111,298 primarily due to the current year depreciation of assets.

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 acquisition of the Stardust property of 167 acres of adjacent land. 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. Andy Welch, Division Manager
Department of Finance and Risk Management
130 W. Congress, 6th floor
Tucson, AZ 85701

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PIMA COUNTY

Basic Financial Statements

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PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2018

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Net Position
Assets			
Other receivables	$ 67,229		$ 67,229
Due from Pima County, General Fund	182,198	$ 167,481	349,679
Due from other funds	124,335		124,335
Due from other governments	295,811		295,811
Prepaid expenses	1,897		1,897
Net other postemployment benefits asset		7,491	7,491
Capital assets:			
Land		10,879,212	10,879,212
Buildings - net		27,698,303	27,698,303
Equipment - net		634,463	634,463
Total assets	671,470	39,386,950	40,058,420
Deferred outflows of resources			
Pension and other postemployment benefits		260,703	260,703
Total deferred outflows of resources		260,703	260,703
Total assets and deferred outflows of resources	671,470	39,647,653	40,319,123
Liabilities			
Accounts payable	295,008		295,008
Accrued payables	47,390		47,390
Due to Pima County, General Fund	3,627,018		3,627,018
Due to other governments	826		826
Unearned revenue	28,056		28,056
Long-term liabilities:			
Due within one year		92,621	92,621
Due in more than one year		94,254	94,254
Net pension and other postemployment benefits liability		2,133,851	2,133,851
Total liabilities	3,998,298	2,320,726	6,319,024
Deferred inflows of resources			
Unavailable revenue - intergovernmental	114,121	(114,121)	
Unavailable revenue - other	46,186	(46,186)	
Pension and other postemployment benefits		184,315	184,315
Total deferred inflows of resources	160,307	24,008	184,315
Total liabilities and deferred inflows of resources	4,158,605	2,344,734	6,503,339
Fund balance/net position			
Fund balance:			
Nonspendable	1,897	(1,897)	
Committed	213,259	(213,259)	
Unassigned	(3,702,291)	3,702,291	
Total fund balance	(3,487,135)	3,487,135	
Total liabilities, deferred inflows and fund balance	$ 671,470		
Net position:			
Net investment in capital assets		39,211,978	39,211,978
Unrestricted		(5,396,194)	(5,396,194)
Total net position		$ 33,815,784	$ 33,815,784

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, 2018

Fund balance - governmental fund		$ (3,487,135)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some receivables are not received shortly after June 30, 2018, and therefore are not reported in the governmental fund		
Hotel/Motel taxes due from General Fund		167,481
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Land	10,879,212	
Buildings	45,389,588	
Equipment	1,891,120	
Less accumulated depreciation	(18,947,942)	39,211,978
Net pension assets held for trust for future benefits are not available for County operations and therefore are not reported in the funds.		
Net other postemployment benefits asset		7,491
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	260,703	
Deferred inflows of resources related to pensions	(184,315)	76,388
Some compensated absences are not due and payable shortly after June 30, 2018, and therefore are not reported in the governmental fund		
Employee compensation accrued in prior year	(187,712)	
Employee compensation accrued in current year	837	(186,875)
Deferred inflows of resources in the governmental fund is susceptible to the accrual basis on the governmental-wide statements		
Unavailable revenue - intergovernmental	114,121	
Unavailable revenue - other	46,186	160,307
Some long term liabilities such as net pension liabilities and bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund		
Net pension and other postemployment benefits liability	(2,133,851)	(2,133,851)
Net position of governmental activities		$ 33,815,784

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Governmental Fund Revenues, Expenditures and Changes
in Fund Balance and Statement of Activities
For the Year Ended June 30, 2018

	Special Revenue Fund	Adjustments (see reconciliation)	Statement of Activities
Revenues:			
Car rental surcharge	$ 1,530,067	$ 16,542	$ 1,546,609
RV space rental surcharge	70,890	(5,546)	65,344
Stadium operations	1,241,007	(63,417)	1,177,590
Interest	2,405		2,405
Miscellaneous	7,094	93	7,187
Total revenues	2,851,463	(52,328)	2,799,135
Expenditures/expenses:			
Culture and recreation	5,406,678	932,435	6,339,113
Deficiency of revenues under expenditures/expenses	(2,555,215)	(984,763)	(3,539,978)
Other financing sources (uses):			
Proceeds from sale of capital assets	841		841
Transfers in	4,641,535	90,811	4,732,346
Transfers (out)	(2,864,761)	2,855,125	(9,636)
	1,777,615	2,945,936	4,723,551
Excess (deficiency) of revenues and other sources over (under) expenditures/expenses and other uses	(777,600)	777,600	
Change in net position		1,183,573	1,183,573
Fund balance/net position, beginning of year as restated	(2,709,535)	35,341,746	32,632,211
Fund balance/net position, end of year	$ (3,487,135)	$ 37,302,919	$ 33,815,784

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Stadium District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balance - governmental fund		$ (777,600)
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	16,542	
RV space rental surcharge	(5,546)	
Facility fees	(63,417)	
Miscellaneous	93	(52,328)
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		
Expenditures for capital assets	135,212	
Less current year depreciation	(1,246,480)	(1,111,268)
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		90,811
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	(69,625)	
Fiscal charges	(500)	
Amortization of premium	206,725	136,600
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		
Change in compensated absences	837	
Payment to the General Fund - servicing of capital lease	2,855,125	2,855,962
County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
County pension contributions	5,386	
Pension expense	36,010	41,396
Change in net position of Statement of Activities		$ 1,183,573

See accompanying notes to financial statements

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.

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended by GASB Statement No. 85, Omnibus 2017. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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

Note 1 - Summary of Significant Accounting Policies (continued)

measurable and available if collectible within the current year or within one month of year-end and available to pay obligations of the current period.

D. Basis of Presentation

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

The District's financial transactions are recorded and reported as a special revenue fund which is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. When both restricted and unrestricted net assets are available to finance fund expenses, restricted resources are used before unrestricted resources. Committed fund balances are resources that are restricted by self-imposed limitations that the County's Board of Supervisors, the highest level of decision-making authority within the County, approved by formal action (ordinance). The District's committed fund balance is limited specifically to expenditures whose activity promotes the use of the sports facilities.

E. 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.

F. Capital assets

Capital assets are reported at cost or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value at the time received. 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 method over the estimated useful life of the asset, which range from 4 years to 50 years.

G. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

H. Postemployment benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

I. 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.

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. Compensated Absences

Compensated absences payable consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of services, but they forfeit any vacation hours in excess of the maximum amount that are unused at year-end. Upon termination of employment, all unused and un-forfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 1,920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but most employees forfeit them upon terminating employment. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. Employees who are eligible to retire from County service into the Arizona State Retirement System may request sick leave to be converted to annual leave on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the Fund's financial statements.

L. 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).

M. Budgetary Accounting

The County annually adopts budgets, on an accrual basis, for all governmental fund types. The Stadium District's adopted budget for fiscal year 2017-2018 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 – Change in Accounting Principle – Prior Period Adjustment

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), as amended by GASB Statement No. 85, Omnibus 2017.

Net position as previously reported at June 30, 2017	$ 32,631,864
Prior period adjustment - implementation of GASB 75:	
Net OPEB liability (measurement date as of June 30, 2016)	(8,582)
Deferred outflows - fund contributions made during fiscal year 2017	8,929
Total prior period adjustment	347
Net position as restated, July 1, 2017	32,632,211

Note 3 - Cash and Investments

The County Treasurer holds cash on deposit for the District. The Treasurer pools this deposit with other County monies for investment.

Fair Value Measurements – The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The State Treasurer's pools are external investment pools, the LGIP (Pool 5), LGIP-Government (Pool 7) and LGIP (Pool 500), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission (SEC). The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's share in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the SEC. The fair value of each participant's position in the County Treasurer investment pool approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The County Treasurer's investment pool is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The County Treasurer's investments had a weighted average maturity of 485 days at June 30, 2018.

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,

Note 3 - Cash and Investments (continued)

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 102 percent of all deposits not covered by federal depository insurance.

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

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

Foreign currency risk – Statutes do not allow foreign investments.

Note 4 - Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Land	$ 10,879,212			$ 10,879,212
Stadium	45,315,769	$ 73,819		45,389,588
Equipment	1,900,096	61,393	$ (70,369)	1,891,120
Accumulated depreciation	(17,771,831)	(1,246,480)	70,369	(18,947,942)
Investment in capital assets	$ 40,343,246	$ (1,111,268)		$ 39,211,978

Note 5 - 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

Note 5 - Claims, Judgments and Risk Management (continued)

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 6 - Related Party Transactions

For the month ended June 30, 2018, the District incurred expenses from Pima County for a variety of administrative and fiscal services totaling $3,165,647. Of that amount, $2,291,538 was for staffing, $736,788 was for administrative overhead, $109,654 was for computer hardware, server and software usage and $27,667 was for self-insurance premiums.

Note 7 - Interfund Transactions

Interfund transactions are entered directly into the cash accounts maintained in a central pooled cash account in which many County funds participate and, therefore, due from and due to other County funds are used to record cash deficits, loans or unpaid operating transfers between individual funds. At June 30 2018, amounts due to/from the County's General Fund and the District's special revenue fund were as follows:

Receivable Fund	Payable Fund	Amount	
Special Revenue	General	$	349,679
General	Special Revenue	$	3,627,018

Due from general fund consists of the hotel/motel taxes received after August 30, 2018. Additionally, due from Regional Wastewater Reclamation fund $21,048 for reclaimed water usage and due from Self Insurance Trust fund $103,287 for insurance reimbursement of expense due to storm water damage. The District received transfers of $4,393,261 from the General Fund. $2,157,328 was for hotel/motel taxes which represented 34% of the total received by the County, $1,058,002 for upkeep of the ball fields and $1,177,931 for operating and maintenance costs. Other fund transfers include $209,566 for (KERP) and $38,708 for reclaimed water usage. Ideally, the District will generate enough revenue within the next year to repay the amount due to the General Fund of $3,627,018. However, historically this has not transpired and repayment may not occur within the next fiscal year.

Note 8 - 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.

Note 8 - Baseball Stadium Financing (continued)

A summary of changes in the capital lease obligation follows:

Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due in One Year
$ 2,785,000		$ (2,785,000)	$	$

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

Note 9 – Pension and Other Postemployment Benefits

The County contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. Although the County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan (CORP), the Public Safety Personnel Retirement System (PSPRS), and the Elected Officials Retirement Plan (EORP), the District employees only participate in the Arizona State Retirement System (ASRS).

At June 30, 2018, the District reported the following amounts related to pensions for which it contributes:

Net OPEB asset	$ 7,491
Net pension and OPEB liability	2,133,851
Deferred outflows of resources related to pensions and OPEB	260,703
Deferred inflows of resources related to pensions and OPEB	184,315
Pension and OPEB expense	36,010

The District's accrued payroll and employee benefits includes $9,706 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. The OPEB plans are not described due to their relative insignificance to the District's financial statements.

Plan Description –The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Note 9 – Pension and Other Postemployment Benefits (continued)

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	*On or after July 1, 2011*
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* with actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefits and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension plan for the year ended June 30, 2018 were $145,026.

Liability – At June 30, 2018, the District reported a liability of $2,128,893 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of the County's contributions for the year ended June 30, 2017. The District's proportion measure as of June 30, 2017, was 0.57 percent of the County's liability, which did not change significantly from its proportion measured as of June 30, 2016.

Expense – For the year ended June 30, 2018, the District recognized pension expense of $36,010.

Note 9 – Pension and Other Postemployment Benefits (continued)

Deferred Outflows/Inflows of Resources–At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$ 63,836
Changes in assumptions	$ 92,463	63,658
Net difference between projected and actual earnings on pension plan investments	15,284	
Changes in proportion and differences between county contributions and proportionate share of contributions		47,635
Contributions subsequent to the measurement date	145,026	
Total	$ 252,773	$ 175,129

The $145,026 reported as deferred outflows of resources relates to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	$ (118,991)
2019	76,085
2020	24,494
2021	(48,970)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
	3%
Inflation	
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 9 – Pension and Other Postemployment Benefits (continued)

ASRS Asset Class	Target Allocation	Long-term expected arithmetic real rate of return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Stadium District fund's Proportionate Share of the ASRS Net Pension Liability in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

ASRS	1% Decrease (7%)	Current discount rate (8%)	1% increase (9%)
District's proportionate share of the net pension liability	$ 2,732,471	$ 2,128,893	$ 1,624,552

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Note 10 - Commitments

Under an intergovernmental agreement dated February 1, 1997, the District agreed to pay to the County all surcharge revenues and project revenues (both terms as defined in the intergovernmental agreement) less operation and maintenance costs.

The District agreed to levy and impose the surcharge and to collect the surcharge revenues and to pledge and assign such surcharge revenues, less operation and maintenance costs, to the County to secure its obligations under a related agreement. The accompanying financial statements include $2,864,761 of which $2,855,125 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

Required Supplementary Information

Other Than Management's Discussion & Analysis

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PIMA COUNTY, ARIZONA
Stadium District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Special Revenue Fund
June 30, 2018

	Special Revenue Fund		
	Original & Final Budget	**Modified Accrual Actual**	**Variance Favorable (Unfavorable)**
Revenues			
Car rental surcharges	$ 1,500,000	$ 1,530,067	$ 30,067
RV space rental surcharges	37,200	70,890	33,690
Stadium operations	845,000	1,241,007	396,007
Investment earnings	5,000	2,405	(2,595)
Other miscellaneous revenue		7,094	7,094
Total revenues	2,387,200	2,851,463	464,263
Expenditures			
Culture and recreation	5,611,862	5,406,678	205,184
Total expenditures	5,611,862	5,406,678	205,184
Deficiency of revenues under expenditures/expense	(3,224,662)	(2,555,215)	669,447
Other financing sources (uses):			
Proceeds from sale of capital assets		841	841
Transfers in	4,820,407	4,641,535	(178,872)
Transfers (out)	(2,866,137)	(2,864,761)	1,376
Total other financing sources	1,954,270	1,777,615	(176,655)
Net change in fund balance	(1,270,392)	(777,600)	492,792
Fund balance at beginning of year	(2,899,558)	(2,709,535)	190,023
Fund balance at end of year	$ (4,169,950)	$ (3,487,135)	$ 682,815

Note 1- Budgeting and Budgetary Control

Arizona Revised Statutes (A.R.S.) requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Note 2 – Expenditures Less than Appropriations

For the year ended June 30, 2018, expenditures for the District were less than the final budget amount at the department level (the legal level of budgetary control) by $205,184 for the culture and recreation function. These expenditures were funded by greater than anticipated revenues from District operations and hotel/motel tax revenues transferred from the County's General Fund.

PIMA COUNTY, ARIZONA
Stadium District
Required Supplementary Information
Cost-Sharing Pension Plan
June 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability

Arizona State Retirement System

	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
District's proportion of the net pension liability	0.014%	0.013%	0.013%	0.013%	Information not available
District's proportionate share of the net pension liability	$ 2,128,893	$ 2,152,602	$ 1,987,720	$ 1,924,665	
District's covered-employee payroll	$ 1,288,161	$ 1,160,882	$ 1,177,911	$ 1,241,456	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.27%	185.43%	168.75%	155.03%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

Schedule of the District's Pension Contributions

Arizona State Retirement System

	2018	2017	2016	2015	2014	2013 through 2009
Statutorily required contribution	$ 145,026	138,641	$ 125,668	$ 127,994	$ 125,461	Information not available
District's contribution in relation to the statutorily required contribution	145,026	138,641	125,668	127,994	125,461	
District's contribution deficiency (excess)	$ _____	$ _____	$ _____	$ _____	$ _____	
District's covered-employee payroll	$ 1,333,395	1,288,161	$ 1,160,882	$ 1,177,911	$ 1,241,456	
District's contribution as a percentage of covered-employee payroll	10.88%	10.76%	10.83%	10.87%	10.11%	

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BFC
BEACHFLEISCHMAN

Independent Auditors' 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*

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, 2018 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 October 15, 2018.

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 opinion 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 a 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 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 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.

Beach Fleischman PC

Tucson, Arizona
October 15, 2018

PIMA COUNTY

Board of Supervisors
Richard Elías, Chairman, District 5
Ally Miller, District 1
Ramón Valadez, District 2
Sharon Bronson, District 3
Steve Christy, District 4

Pima County Administrator
Chuck Huckelberry