Basic Financial Statements
June 30, 2012 and 2011

AZSTA

ARIZONA SPORTS & TOURISM AUTHORITY

Independent Auditor's Report

The Board of Directors
Arizona Sports and Tourism Authority
Glendale, Arizona

We have audited the accompanying financial statements of the Arizona Sports and Tourism Authority (the Authority) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 10 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 inquires 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.

Eide Bailly LLP

Phoenix, Arizona
October 29, 2012

The following is management's discussion and analysis of the financial performance of Arizona Sports and Tourism Authority (the Authority). It provides an overview of the Authority's financial activities and financial condition for the year and should be read in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Using the Financial Statements

As a business-type activity, the Authority's annual financial reporting includes the basic financial statements and accompanying notes for enterprise funds. The Authority reports on a fiscal year basis.

- Statements of net assets summarize the Authority's current and long-term obligations (liabilities) and the assets available to meet those obligations. The difference between total assets and total liabilities represents the Authority's net assets.

- The Authority's total net assets as of June 30, 2012 decreased by $17,991,625 or 108.3 percent as compared to 2011. Current Assets decreased $3,889,122 or 10.15 percent. Capital Assets decreased by $13,211,913, or 3.24 percent.

- Total liabilities as of June 30, 2012 decreased a total of $143,033 as compared to 2011. Current liabilities experienced a decrease of $2,321,574 or 12.63 percent. There was an increase in non-current liabilities by $2,178,541 or 0.48 percent. The Authority took advantage of the low fixed interest rates for municipal bonds, and refunded the majority of the senior debt service with a 2012A refunding bond issue ($176,740,000 par value): the 2003A ($125,690,000) and the 2005A (53,050,000) senior bonds were refunded.

- Statements of revenues, expenses and changes in net assets summarize the Authority's operating and non-operating expenses for the year and the revenues that were available to cover those expenses, as well as changes in net assets.

- Overall from 2011 to 2012 net assets decreased by $17,991,625 or 108.28 percent. This is attributable to normal operating and non-operating conditions with the Authority. Operating Revenues were higher in 2012 by $1,832,934 or 24.63 percent as compared to 2011. Operating Expenses decreased by $589,825 or 1.79 percent in 2012 as compared to 2011. Year-over-year, the net operating loss decreased by $2,442,759 or 9.51 percent as compared to 2011.

- Statements of cash flows summarize the Authority's uses of cash during the year and the sources of cash available to finance those uses. Statements of cash flows, as cash based statements, include reconciliations to the statements of revenues, expenses and changes in net assets, which are prepared on an accrual basis.

- For the fiscal year ended June 30, 2012, the Authority realized an overall net decrease in cash and cash equivalents at the end of the year of $4,764,162. Cash used in non-capital and related financing activities was $4,971,904 which was a decrease from 2011 by 379,704 or 7.10 percent.

THE AUTHORITY'S FINANCIAL ACTIVITIES

The Authority accounts for its financial activities in conformity with accounting principles generally accepted in the United States as applicable to a government "enterprise fund." This accounting treatment applies because the Authority's activities are primarily business-like in nature. Under enterprise fund accounting, the Authority is a single accounting entity for financial reporting purposes. However, within this single accounting entity the Authority has identified a number of financial activities that it tracks separately as is required by Arizona Revised Statute or existing bond indenture documents. These financial activities are referred to as "accounts." These accounts are as follows: Tourism Revenue Clearing Account, Facility Revenue Clearing Account, Senior and Subordinate Bond Debt Service Accounts, Tourism Promotion Account, Cactus League Account, Youth and Amateur Sports Account, and Operating General Account. The use of the term "account" for these separate activities does not have any particular accounting significance. The Authority is not required to and does not publish separate financial statements for any of the individual accounts.

- Tourism Revenue Clearing Account collects the tourism tax revenues for the hotel bed tax and the car rental surcharge and then disburses those funds, in order of priority, to the debt service account, the Tourism account, the Cactus League account, Youth and Amateur Sports account, Authority general account to over the stadium operating budget (including the University of Phoenix Stadium) and the reserve accounts for Youth and Amateur Sports, Operations, and Capital Repair and Replacement.

- Facility Revenue Clearing Account collects the revenues related to the NFL franchise income tax revenues and those revenues directly related to the operation of the Stadium: state and local sales tax recapture, rent from the Arizona Cardinals (the Cardinals), facility use fees, food and beverage commissions, ticket surcharges for the Fiesta Bowl and all other event revenues held at the Stadium. These funds are then disbursed for debt service requirements on senior and subordinate bonds. Any remaining funds go to the operations account.

- Senior and Subordinate Bond Debt Service Accounts represent that portion of the Authority's pledged revenues used for the repayment of principal and interest related to the Authority's senior and subordinate bond issues.

- Tourism Promotion Account represents the activities related to providing funding for tourism promotion within Maricopa County.

- Cactus League Account represents the activities of financing new construction and renovations for spring training baseball facilities within Maricopa County.

- Youth and Amateur Sports Account represents those activities related to the promotion and financing of amateur sports projects and programs within Maricopa County.

- Operating General Account represents the Authority's primary aggregating and disbursement account for its operations, which includes the operating expenses of the University of Phoenix Stadium.

Please refer to the notes to the financial statements for additional information on these accounts.

COMPARATIVE ANALYSIS – FINANCIAL STATEMENTS

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented for the reader: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows.

Statements of Net Assets

The Authority's Statements of Net Assets presents the following condensed assets, liabilities, and net assets as of June 30, 2012, 2011 and 2010. The Statements of Net Assets are to provide the reader with a financial picture of the Authority's assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

The purpose of the Statements of Net Assets is to show the user what is available for future needs of the Authority. The user, from the information presented, is able to determine the assets available for the continuing operations of the Authority. The user is able to determine what cash and cash equivalents are available and amounts owed to and by the Authority.

	June 30		
	2012	2011	2010
Assets			
Current assets	$ 34,416,761	$ 38,305,883	$ 37,692,453
Capital assets non-depreciable	2,773,165	2,773,165	2,773,165
Capital assets depreciable, net	393,989,228	407,201,141	423,942,727
Other noncurrent assets	6,471,543	7,505,166	7,853,439
Total assets	$ 437,650,697	$ 455,785,355	$ 472,261,784
Liabilities			
Current liabilities	16,055,790	18,377,364	15,739,429
Noncurrent liabilities	456,202,275	454,023,734	454,942,154
Total liabilities	472,258,065	472,401,098	470,681,583
Net Assets			
Invested in capital assets, net of related debt	96,949,579	133,678,223	145,895,828
Unrestricted	(131,556,947)	(150,293,966)	(144,315,627)
Total net assets	(34,607,368)	(16,615,743)	1,580,201
Total liabilities and net assets	$ 437,650,697	$ 455,785,355	$ 472,261,784

Total assets decreased by $18,134,658 or 4.00 percent between fiscal years ended June 30, 2012 and 2011. This change is the result of a net decrease of $13,211,913 in the value of capital assets, depreciable, which includes the annual depreciation expense of $14,828,905, completion of the restoration of the damage to the stadium of $1,878,250, and an additional $264,268 in impairment expenses which accounts for the total change of $1,613,982 after depreciation expense. Additionally, current assets decreased by $3,889,192 or 10.20 percent, consisting of $4,764,162 in cash and cash equivalents accounts and a reduction of $1,613,982 specific to the insurance receivable account relating to the damages sustained by the Stadium in a storm in August 2010.

Total Liabilities for the same period decreased by $143,033 or 0.03 percent. Current liabilities experienced a decrease of $2,321,574, or 12.63% percent as compared to 2011. This is primarily due to a reduction in accounts payable of $499,666; a decrease in accrued expenses of $757,297, and bond interest payable of $2,716,971 as compared to 2011. Non-current liabilities increased by $2,178,541 as compared to 2011. The increase in the non-current liabilities was significantly attributable to the Authority refunding the senior series 2003A and 2005A variable rate bonds for the 2012A fixed rate bond issuance in the amount of $176,740,000.

Overall, the Authority's total net assets as of June 30, 2012 decreased a total of $17,991,625 as compared to 2011.

Total assets decreased by $16,476,429 or 3.50 percent between fiscal years ended June 30, 2011 and 2010. This change is primarily related to a net decrease of $16,741,141 in the value of Capital Assets, Depreciable; which includes the annual depreciation expense of $15,127,604. Additionally, there was, net of repairs made, a $1,613,982 impairment reduction to the Stadium for damages sustained by the Stadium in a storm in August 2010.

Total Liabilities for the same period increased by $1,719,515 or 0.365 percent. Current liabilities experienced an increase of $2,887,935, or 18.35 percent increase between 2010 and 2011. This is primarily from a payable due to the Fiesta Bowl Foundation of $1,493,711 for dollars received by the Authority for hosting the BCS National Championship Game at the Stadium in January 2011. The non-current liability section reduced by $1,168,420, or 0.257 percent year-to-year. The decrease to the non-current liabilities was offset by increases in payables to three of the Authority's four outstanding Cactus league project commitments. The projects for the cities of Glendale and Goodyear were completed during 2009 and in accordance to our existing agreements, the Authority began to accrue interest on the outstanding principal amounts thereby increasing our noncurrent liabilities for them.

Overall, the Authority's total net assets as of June 30, 2011 decreased a total of $18,195,944 over the prior fiscal year.

Statements of Revenues, Expenses and Changes in Net Assets

The change to Net Assets as seen on the Statement of Net Assets is based on the activity that is presented on the Statement of Revenues, Expenses and Changes in Net Assets. The presentation of the Statement reflects the revenues and expenses for the Authority during the years ended June 30, 2012, 2011, and 2010. The reader will see the revenues and expenses broken down into operating and non-operating categories.

	Year Ended June 30		
	2012	2011	2010
Operating revenues	$ 9,275,092	$ 7,442,158	$ 23,237,730
Operating expenses	(32,334,772)	(32,924,597)	(45,742,221)
Operating loss	(23,059,680)	(25,482,439)	(22,504,491)
Nonoperating revenues	5,068,055	7,286,495	5,860,322
Decrease in net assets	(17,991,625)	(18,195,944)	(16,644,169)
Net assets, beginning of year	(16,615,743)	1,580,201	18,224,370
Net assets, end of year	$ (34,607,368)	$ (16,615,743)	$ 1,580,201

Overall, from 2011 to 2012 there was a decrease in net assets of $17,991,625 or 108.28 percent. This is attributable to normal operating and non-operating conditions with the Authority. Operating revenues were higher in 2012 by $1,832,934 as compared to 2011. This revenue increase is attributable to an improved mix of events that generated increased operating revenues at the University of Phoenix Stadium during 2012. This included two USA Soccer matches, the continued growth of other events held annually at the stadium, as well as a significant first-time event, Cirque Du Soleil Kooza, at year-end. Operating expenses decreased as compared to 2011 by $589,825. Year-over-year, the net operating loss decreased by $2,442,759 or 9.51 percent.

Overall, from 2010 to 2011, the decrease in net assets of $18,195,944 was attributable to normal operating and non-operating conditions with the Authority. Incrementally, there was an increase in expenses from impairment to the stadium of $2,973,989 for storm damage in 2010. Operating revenues were lower in 2011 by $15,795,572 as compared to 2010. The operating revenues reduction is attributable to not having mega-type events generating revenues at the University of Phoenix Stadium during 2011, as there were in 2010. Note that 2010 was the highest ever revenue production from events. Also of note is the fact that operating expenses were lowered during 2011 by $12,817,624, again associated with not having mega-type events to generate higher operating expenses. Year-to-year, the net operating loss increased by $2,977,948 or 13.23 percent over 2010, driven by the reduction of operating revenues combined with the storm damage expenses.

For fiscal year 2011, the Authority recorded $7,286,495 in net non-operating revenues, an increase of $1,426,173 or 24.34 percent over 2010.

The events accounting for this net year-to-year results are as follows:

- The Authority's tourism-based tax revenues consist of two components: the hotel bed tax and the rental car tax surcharge. Hotel bed taxes increased from 2011 to 2012 by $673,249 or 5.51 percent. Rental car tax surcharge increase $752,845 or 8.22 percent. On a total tourism revenue basis, tourism revenues increased year-to-year, when comparing 2012 and 2011. The increase was $1,426,094 or 6.67 percent. This may be an indicator that the tourism industry within Maricopa County is starting to recover, albeit slowly, from the economic recession. The tourism industry in Arizona is the state's leading industry sector. We believe that we have seen a bottoming-out of the Tourism-based tax collections and anticipate 2013 will be slightly up when compared to 2012. We continue to forecast that it may take another four to five years before we are back to 2007 level of tax collections in tourism revenues. This is well below the original 30-year tourism revenue forecast for the Authority.

- The Authority experienced an increase in the NFL income taxes of $358,048 or 6.16 percent as compared to 2011. This increase is attributed to prior year income taxes paid to the Arizona Department of Revenue. Since the start of fiscal year 2008, the Authority has not had the benefit of this revenue source meeting the guaranteed minimum, as that was repealed by the state legislative and executive branches. The elimination of this guarantee leaves only the actual income taxes for the Authority. Note: this source has been under-performing since the Authority's second year of operations when compared to the original Proposition 302 projections. This revenue source is related to the state income tax liability of the Cardinals' organization: their personnel: both administrative and players.

- The Authority's sales tax recapture revenues increased by $1,623,099 or 23.76 percent more than 2011. The primary reason for this increase is related to the composition of the events held at the stadium, which generated additional sales tax recapture revenues when compared to 2011. The Authority receives both state and local sales tax recapture revenues from all related taxable transactions for events held at the University of Phoenix Stadium.

- The Authority recorded $1,268,714 in expenses related to its 2012 Biennial grants. The Authority distributed $582,506 related to Youth and Amateur sports projects from 2010. The Authority has chosen to use a biennial cycle in order to accumulate more funds in the Youth and Amateur sports fund, thus allowing for a bigger, positive impact in the community every 2 years.

  The distribution to the Arizona Office of Tourism increased by $817,725 or 14.54 percent compared to 2011. This year the Authority was less than 1.2% from making 100% of the statutory distribution dollars due to the Arizona Office of Tourism. This is driven by the increase in total Tourism tax collections. This at-statutory distribution is expected to continue throughout the foreseeable future, as shown in the Authority's annual budgeting process.

- Interest expense decreased by $1,140,973 or 5.20 percent as compared to 2011.The Authority experienced a significant decrease in the weighted average interest rates paid on its variable rate bonds and the Authority took advantage of the unprecedented low municipal bond interest rates to refund the majority of the senior bond debt to lower interest rates with the issue of the 2012A refunding bonds. However, the decrease of bond interest expense on senior bond debt service was partially offset by the additional interest expense accruing for the Cactus League projects (MLB Spring Training facilities) in Goodyear and Glendale.

Overall, from 2010 to 2011 the decrease in net assets of $18,195,944 is attributable to relatively normal operating and non-operating conditions with the Authority for this fiscal period. Operating revenues were substantially lower in 2011 ($15,795,572) due to the lack of mega-events held at the stadium in 2011, as compared to 2010. However, operating expenses were lower in 2011 by $12,817,624, as there were no mega-events in 2011 and the Authority's focus was on reducing operational expenses.

For fiscal year 2011, the Authority recorded $7,286,495 in net non-operating revenues, an increase of $1,426,173 or 24.34 percent increase over 2010. The events accounting for this net year-to-year positive result are as follows:

- The Authority distributed $541,019 in 2011 related to its 2010 Biennial and $43,657 related to the Quick grant processes completed in 2011. The Authority recorded $1,585,212 in combined expenses related to Youth and Amateur sports grants in 2010.

- The Authority's tourism-based tax revenues, the hotel bed tax, and the rental car tax surcharge, increased from 2010 to 2011, as tourism began to slowly turn out of the recent economic recession. The tourism industry, as the state's leading industry sector, continues to be recovering slowly. On a combined basis, the Tourism Revenues increased in 2011 by $577,223 or 2.78 percent, when compared to 2010.

- The Authority experienced a decrease in the NFL income taxes of $609,075, or 9.49 percent less than in 2010. This decrease is attributed to a one-time correction of prior year taxes which were not distributed to the Authority during those years. Since the start of fiscal year 2008 the Authority has not had the benefit of this revenue source's guaranteed minimum, as that was repealed by the state legislative and executive branches. The elimination of this guarantee left only the actual income taxes for the Authority. Note: this source has been under-performing since the Authority's second year of operations when compared to the original Proposition 302 projections. This revenue source is related to the state income tax liability of the Cardinals' organization: their personnel – both administrative and players.

- The Authority's sales tax recapture revenues were lower by $450,398, or 6.2 percent less than in 2010. The primary reason for this decrease in 2011 is the lack of mega-events held at the stadium which generated additional sales tax recapture revenues for the Authority. The Authority receives both state and local sales tax recapture from all related taxable transactions held at the University of Phoenix Stadium. Sales tax recapture revenues included a one-time correction from the City of Glendale in the amount of $446,480 for an internal review of their historical sales tax recapture dollars previously distributed to the Authority.

- The distribution to the Arizona Office of Tourism increased $362,931 or 6.9 percent, over fiscal year 2010. 2011 is the second year in a row that the Authority was unable to make 100% of the statutory distribution due to the Arizona Office of Tourism due to the decrease in total Tourism tax collections.

- Interest expense increased by $3,076,342, or 16.32 percent in 2011. During 2011 the Authority experienced a significant decrease of 64.1 percent in the weighted average interest rates paid on its variable rate bonds, and we have additional interest expense accruing for the Cactus League projects in Goodyear and Glendale.

Statements of Cash Flow

	June 30		
	2012	2011	2010
Cash (Used In) Provided By			
Operating activities	$ (9,254,662)	$ (7,273,075)	$ (9,394,127)
Noncapital financing activities	9,449,961	14,189,792	13,690,428
Capital and related financing activities	(4,971,904)	(5,351,608)	(3,770,000)
Investing activities	12,443	14,596	29,968
Net increase (decrease) in cash and cash equivalents	(4,764,162)	1,579,705	556,269
Cash and cash equivalents, beginning of year	32,837,804	31,258,099	30,701,830
Cash and cash equivalents, end of year	$ 28,073,642	$ 32,837,804	$ 31,258,099

For the fiscal year ended June 30, 2012, the Authority realized an overall net decrease in cash and cash equivalents of $4,764,162. This change is attributed primarily to the Authority's capital financing activities in 2012, when the Authority took advantage of low municipal bond interest rates and refunded the senior debt service via the issue of 2012A refunding bonds in the par value amount of $174,760,000.

The non-capital financing activities experienced a net decrease of $379,904 as compared to 2011. This was attributable to the increase in total dollars distributed to the Arizona Office of Tourism, Youth and Amateur Sports, Cactus League, and higher interest payments made in 2012 vs. 2011.

Capital Assets and Debt Administration (Note 5)

The Authority had no significant additions to capital assets during fiscal year 2012 and 2011.

Debt Obligations

The Authority's debt obligations changed in 2012 due to the previously mentioned issue of 2012A refunding bonds in the amount of $176,740,000. With this bond issue, the Authority defeased $128,000,000 in outstanding senior debt service for the 2003A Series and another $53,000,000 in outstanding variable debt service for the 2005A Series. Fixed rate debt service for 2012 included $2,600,000 in principal reduction and $10,700,000 in interest expense. The Authority previously held an interest rate swap agreement (SWAP) in place to manage interest rate expense on the variable rate debt. During 2012, payments and receipts on this resulted in a net payment of $0.16 million. Due to the bond market dynamics, this SWAP was terminated in the 2012A refunding bond issue.

The Fair Market Value of the SWAP (as disclosed in the financial statements) at the time of the 2012A bond issue was a liability value of $9.878 million. Note, the current market value was determined and validated at the time of the bond issue by an independent third-party.

Since 2010, the Authority has maintained a Letter of Credit (LOC) with BBVA Compass Bank to lower the rate that the Authority is paying closer to the market index. Due to further degradation in the market, this LOC was terminated at the time of 2012A refunding bond issue. The cost of termination of this LOC was approximately $250,000.

The Authority remains in compliance with all of its debt covenants throughout the fiscal year and anticipates no problems for covenants in the upcoming fiscal year.

Economic Factors and Next Fiscal Year Budget

There is forecasted improvement from 2012 and into 2013, although there is no precise way to determine whether or not this is to be permanent in nature. For 2013, we continued to experience a slight increase in our primary revenues – Tourism Revenues. There are projected decreases in several of our facility-related revenues tied to having limited mega-events in 2013. We continue to forecast a series of operating deficits both in the near-term and the long-term. Economic conditions, both nationally and locally, have continued to contribute to the previous downturn and now slow recovery in the Authority's primary source of revenues – Tourism Revenues. The Authority anticipates that its current operating cash reserves will continue to be adequate to fund operation throughout the ensuing two years.

Tourism Revenue Distribution

In 2000, the Arizona Legislators passed Arizona Revised Statutes Title 5 – Chapter 8. This legislation provides the authority to the Arizona Sports & Tourism Authority to distribute funds collected through hotel bed tax and car rental surcharges to pay for the priorities outlined in the statute. Those priorities are:

1) Senior bonds held by the Authority for the purpose of funding the multi-purpose stadium (University of Phoenix Stadium)
2) Tourism promotion for Maricopa County
3) Cactus League Stadium renovations and new facilities
4) Youth and Amateur Sports (YAS) Grants
5) Operations at the University of Phoenix Stadium
6) Reserves for YAS, Operations, Capital and Repair

The legislation also provided limits on the distribution to Tourism, Cactus League, and YAS on a monthly basis. The Authority follows a "waterfall" approach to distributing to each priority during each month of a fiscal year as defined within the statute. During 2011, the Authority's receipts of Tourism taxes did not meet the necessary amount to distribute down the entire waterfall during every month for Tourism, Cactus League, and YAS. This resulted in each of those priorities receiving only a portion of the total projected for the fiscal year.

While Tourism taxes began to recover in 2012, the Authority projects that it will not receive enough Tourism receipts during every month to make the entire "waterfall" distribution in 2013, 2014, 2015, 2016, 2017, and into 2018.

Requests for Information

This financial report is designed to provide a general overview of the Arizona Sports and Tourism Authority's finances for all interested parties. Requests for additional information may be made by contacting us at Arizona Sports and Tourism Authority, 1 Cardinals Drive, Glendale, Arizona 85305 Attn: Finance Department. Additional information on the Authority's finances may be found on our website, www.az-sta.com, under the Archives section.

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents - restricted	$ 24,831,273	$ 29,595,792
Cash and cash equivalents - restricted for subordinate bond reserve	3,242,369	3,242,012
Accounts receivable, net of allowance for doubtful accounts	6,288,515	5,396,321
Other assets	54,604	71,758
Total current assets	34,416,761	38,305,883
Noncurrent Assets		
Capital assets non-depreciable	2,773,165	2,773,165
Capital assets depreciable, net	393,989,228	407,201,141
Deferred bond issue costs, net	6,471,543	7,505,166
Total noncurrent assets	403,233,936	417,479,472
Total assets	$ 437,650,697	$ 455,785,355
Liabilities		
Current Liabilities		
Accounts payable	$ 1,555,523	$ 2,055,189
Accrued expenses	1,319,944	2,077,241
Payable to City of Avondale	328,533	700,673
Payable to Arizona Cardinals	1,629,371	538,738
Youth and Amateur Sports grant award payable	967,307	748,153
Bond principal payable	6,125,000	5,550,000
Bond interest payable	3,297,565	6,014,536
Deferred revenue	832,547	692,834
Total current liabilities	16,055,790	18,377,364
Noncurrent Liabilities		
Deferred revenue	500,000	750,000
Interest rate swap agreement at fair value	-	6,002,528
Payable to City of Avondale	-	69,601
Payable to Arizona Cardinals	6,734,252	7,425,578
Cactus League Payable	148,808,666	143,326,913
Bonds principal payable	300,159,357	296,449,114
Total noncurrent liabilities	456,202,275	454,023,734
Total liabilities	472,258,065	472,401,098
Net Assets (Deficit)		
Invested in capital assets, net of related debt	96,949,579	133,678,223
Unrestricted	(131,556,947)	(150,293,966)
Total net (deficit)	(34,607,368)	(16,615,743)
Total liabilities and net assets	$ 437,650,697	$ 455,785,355

	2012	2011
Operating Revenues		
Stadium operating revenues	$ 6,903,927	$ 5,707,031
Facility and ticket use fee	1,832,952	981,909
Concession revenues	234,683	538,532
Other operating income	303,530	214,686
Total operating revenues	9,275,092	7,442,158
Operating Expenses		
Stadium management operations	15,211,565	14,201,121
Fiesta Bowl Foundation contribution	-	1,510,808
Legal	201,399	533,767
Payroll	440,240	276,886
Professional fees	153,525	302,285
Marketing and promotion	34,435	6,683
Bank management and service fees	112,872	17,441
Insurance	59,163	58,653
Travel	10,574	26,818
Meetings	2,967	884
Office	61,483	22,555
Communications	18,572	16,501
Depreciation	14,828,905	15,127,604
Amortization of deferred bond issue costs	553,685	529,881
Remarketing and liquidity fees	645,387	292,710
Total operating expenses	32,334,772	32,924,597
Operating Loss	(23,059,680)	(25,482,439)
Nonoperating Revenues (Expenses)		
Arizona tourism distribution	(6,439,960)	(5,622,235)
Youth and amateur sports grant awards	(1,268,714)	(43,657)
Hotel bed tax	12,893,908	12,220,659
Rental car tax	9,906,061	9,153,216
NFL income tax	6,168,488	5,810,440
Sales tax recapture	8,455,418	6,832,319
Interest income	12,443	14,596
Interest expense	(20,784,117)	(21,925,090)
Change in fair value of interest swap agreement	(3,875,472)	846,247
Proceeds from insurance claims	264,268	2,973,989
Impairment of long-lived asset	(264,268)	(2,973,989)
Total nonoperating revenues	5,068,055	7,286,495
Change in Net Deficit	(17,991,625)	(18,195,944)
Net Deficit, Beginning of Year	(16,615,743)	1,580,201
Net Deficit, End of Year	$ (34,607,368)	$ (16,615,743)

	2012	2011
Cash Flows from Operating Activities		
Cash received from events (Stadium Operations)	$ 8,937,330	$ 7,686,661
Cash paid for events (Stadium Operations)	(16,451,375)	(13,404,553)
Cash paid to employees	(440,240)	(276,886)
Cash paid for other operating expenses	(1,300,377)	(1,278,297)
Net Cash used in Operating Activities	(9,254,662)	(7,273,075)
Cash Flows from Noncapital Financing Activities		
Payments to the Arizona Office of Tourism	(6,439,959)	(5,596,379)
Payments for Youth and Amateur Sports	(1,049,560)	(585,911)
Payments for Cactus League	(1,051,156)	-
Payment to the City of Avondale	(473,105)	(454,714)
Receipts from hotel bed tax	12,850,749	12,189,156
Receipts from rental car tax	9,743,647	8,911,500
Receipts from NFL Income tax	4,150,704	5,810,439
Receipts from sales tax recapture	8,455,418	9,185,548
Cash paid for interest	(16,736,777)	(15,269,847)
Net Cash Provided by Noncapital Financing Activities	9,449,961	14,189,792
Cash Flows from Capital and Related Financing Activities		
Defeased bonds	(184,591,547)	-
Proceeds on 2012A Bond Issuance	197,103,735	-
Cash paid for termination of interest rate swap	(9,878,000)	-
Cash paid for bond issuance costs	(1,802,568)	-
Cash paid for termination of letter of credit	(250,514)	(181,608)
Cash paid for capital additions	(3,010)	-
Cash paid on bond principal	(5,550,000)	(5,170,000)
Insurance proceeds collected on insurance claim	1,878,250	(1,360,007)
Cash paid for restoration of stadium	(1,878,250)	1,360,007
Net Cash used in Capital and Related Financing Activities	(4,971,904)	(5,351,608)
Cash Flows from Investing Activities		
Interest received	12,443	14,596
Net Cash Provided by Investing Activities	12,443	14,596
Net Change in Cash and Cash Equivalents	(4,764,162)	1,579,705
Cash and Cash Equivalents, Beginning of Year	32,837,804	31,258,099
Cash and Cash Equivalents, End of Year	$ 28,073,642	$ 32,837,804

	2012	2011
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Operating loss	$ (23,059,680)	$ (25,482,439)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	14,828,905	15,127,604
Amortization of deferred bond issue costs	553,685	529,881
Changes in operating assets and liabilities		
Accounts receivable	(282,818)	499,698
Other assets	17,153	551
Accounts payable	(499,666)	1,638,226
Accrued expenses	(757,297)	668,599
Deferred revenue	(54,944)	(255,195)
	$ (9,254,662)	$ (7,273,075)
Supplemental Disclosures of Noncash Capital and Financing Activities		
Accrual of interest on noncurrent liabilities		
Cactus League	$ 6,564,273	$ 6,604,115
The Arizona Cardinals	399,307	379,253
	$ 6,963,580	$ 6,983,368
Uncollected insurance claim from asset impairment	$ -	$ 1,613,982

Note 1 - Organization and Reporting Entity

The Arizona Sports and Tourism Authority (the "Authority") was formed on August 9, 2000, as a political subdivision of the State of Arizona empowered, among other things:

- to construct, finance, furnish, maintain, improve, own, operate, market, and promote the use of the University of Phoenix Stadium suitable to be used to accommodate sporting events and entertainment, cultural, civic, meeting, trade show or convention events or activities, including a stadium, on-site infrastructure, parking garages and lots and related commercial uses within the facility in Maricopa County;

- to acquire land or construct, finance, furnish, improve, market or promote the use of existing or proposed major league baseball spring training facilities located in Maricopa County; and

- to acquire land or construct, finance, furnish, maintain, improve, operate, market or promote the use of community youth and amateur sports facilities, recreational facilities and other community facilities or programs in Maricopa County.

The Authority opened the University of Phoenix Stadium in August 2006 under its Stadium management operating agreement with Global Spectrum, L.P. ("Global").

Global acts as the fiscal agent of the Authority and receives all of its working capital requirements from the Authority on the basis of an annual budget and operating plan approved by the Authority's Board of Directors. The annual financial results for Global are reported separately as a division of the Authority and are rolled into and consolidated with the Authority's annual financial results. The Authority's management agreement with Global included a thirty-six month term from opening date through August 2009. Under the original agreement with Global there were two one-year extension options available for consideration. On July 1, 2009, however, the Authority and Global entered into a modified operating agreement extension with the first portion encompassing a nine-month period ending on March 31, 2010 followed by a second renewal term of thirty-nine months which would end on June 30, 2013. The second renewal term was executed in 2010.

Rojo Hospitality Group, LLC operates as an independent service provider to the Authority and is solely responsible for all its financial activities at the Stadium. The Authority's agreement with Rojo Hospitality Group, LLC was for an initial term of two years that commenced in August 2010. In fiscal year 2012, the Authority's Board of Directors approved a 12-month extension of the service provider agreement.

The Authority has two, long-term Stadium tenants. The Arizona Cardinals of the National Football League and the Arizona Sports Foundation doing business as the Fiesta Bowl ("Fiesta Bowl"). The Arizona Cardinals and the Fiesta Bowl began their respective thirty-year use agreements at the time the Stadium opened in August 2006.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States as applicable to an enterprise fund of a governmental unit. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

The Authority has elected, in accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the Authority are those generally related to the on-going operations at the University of Phoenix Stadium. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority's books and records include separate accounts: a general account, construction account, tourism revenue clearing account, non-pledged facility revenue clearing account, tourism account, youth and amateur sports account, debt service account, subordinate bond proceeds account, Cactus League account, and pledged facility revenue clearing account. These "accounts" have been combined in the accompanying financial statements. All material inter-account transactions have been eliminated.

Use of Estimates

The preparation of financial statements that conform to accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with an original maturity of three months or less.

Receivables and Credit Policy

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment upon receipts of the invoice. Trade receivables are stated at the amount billed to the customer. The Authority charges interest on overdue customer account balances at a rate of 18 per annum. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Hotel bed tax, car rental surcharge, and sales tax recapture receivables are due from the Arizona State Treasurer's office and are paid approximately two months in arrears.

The Authority provides an allowance for doubtful accounts equal to estimated uncollectible amounts. The Authority's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Authority's estimate of the allowance for doubtful accounts will change.

Use of Restricted Assets

The Authority's assets are restricted based on existing statutory language. As such, the Authority employs these resources first when expenses of the Authority are incurred. All cash and cash equivalents are restricted as to use by the State of Arizona. Restrictions on use are as follows:

The Tourism Revenue Clearing Account is fully allocated on a monthly basis for those requirements as outlined in the Flow of Funds.

- The Debt Service Accounts, including the subordinate reserve, are used for meeting bondholder obligations.
- The Tourism Account is used for tourism promotion purposes.
- The Cactus League account is restricted to the promotion of spring training baseball.
- The Youth and Amateur Sports account is for the awarding of matching grants for those express purposes.
- The operating general account is used for the Authority's approved annual operating budget expenses as well as for fulfilling the Authority's statutory youth and amateur sports, operating and capital reserve requirements.

Capital Assets

Capital assets are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to forty years.

The Authority reviews its property and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is materially less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. During August of 2010, a storm damaged the roof of the stadium. The impairment of the building was measured using the restoration method and amounted to $2,973,989 for the year ended at June 30, 2011. During fiscal year 2012, the Authority continued to evaluate the impairment of the building and, based on revised costs of repair, determined that the final costs of the impairment would be $3,238,257. As a result, the Authority prospectively accounted for a change in accounting estimate of impairment of the building and recorded an additional impairment expense of $264,269 as of June 30, 2012. As of June 30, 2012, all repairs on the building were complete and the impairment on the building was zero.

Costs of Borrowing

The Authority amortizes deferred bond issue costs using the straight-line method for the 2007A and 2012A over the life of the bond.

Derivative Policy

The Authority evaluates contractual arrangements that meet the standard's definition of a derivative instrument for effectiveness and to report such instruments as either hedges or investments, depending upon hedge effectiveness. The Authority's interest rate swap was terminated in connection with the 2012A advance refunding completed on June 5, 2012.

Revenue Recognition

The Authority recognizes revenue from car rental surcharges, hotel bed tax, income taxes related to a professional football franchise, sales tax recapture, event earnings, and facility user rentals on the accrual basis as earned.

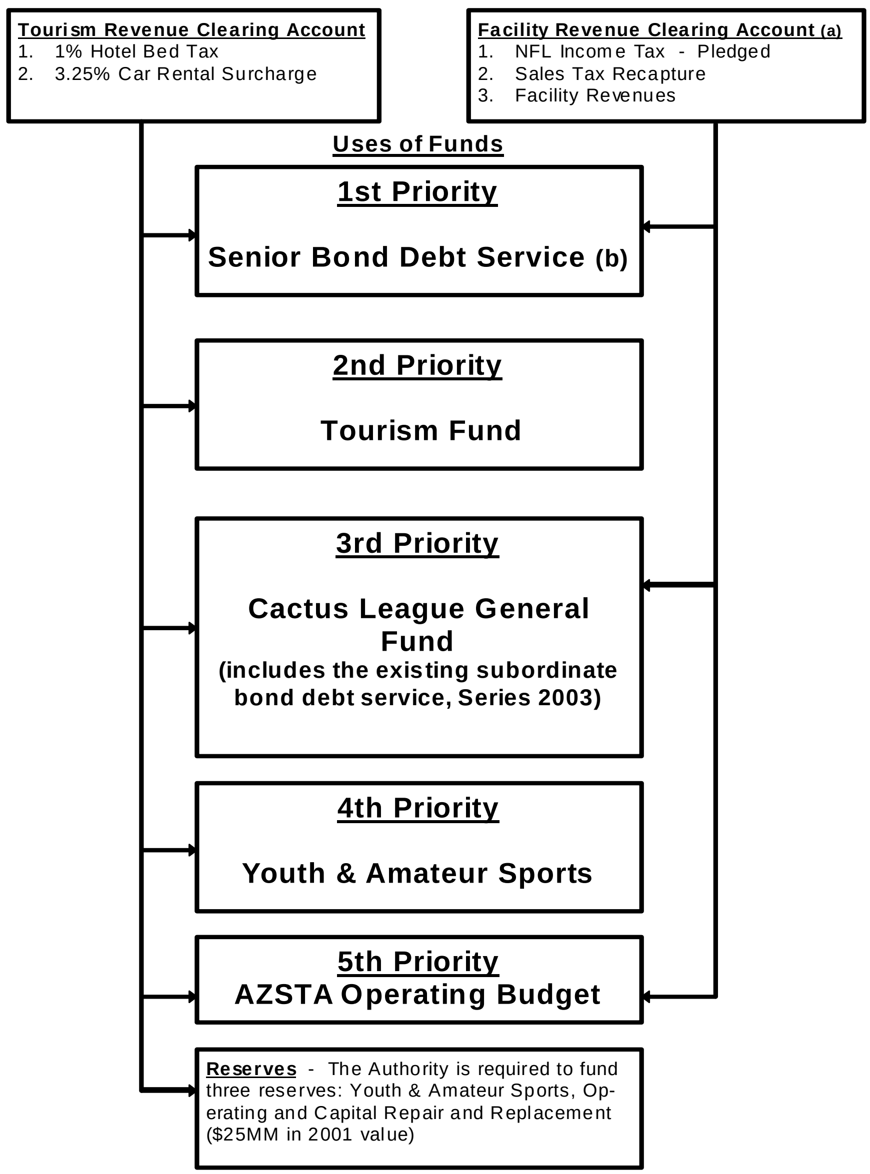
- The car rental surcharge is a 3.25 percent surcharge on applicable rental car contracts in Maricopa County (less $2.50 which goes to the Maricopa County Stadium District ("MCSD")).
- The hotel bed tax is a one percent tax on lodging transactions in Maricopa County.
- The income taxes are associated with the state income tax liability of the Arizona Cardinals organization, its employees and their spouses.
- Sales tax recapture revenues are generated by all taxable transactions at the Stadium which are remitted to the State of Arizona and the City of Glendale.
- Event revenues are deferred until completion of the event, at which time a financial settlement is made with the promoter. Revenues come from a variety of activities including building rents, concessions and catering, novelties, exhibitor services and other miscellaneous revenues.
- Facility user rentals are amounts paid by the Cardinals and the Fiesta Bowl for their use of the Stadium. The Cardinals annual rent started at $250,000 per year and grows by two percent per year thereafter. The Fiesta Bowl pays a ticket surcharge which started at $2.50 per ticket and increases by $0.20 per ticket per year.

The Authority's revenues are defined by Arizona Revised Statute as to the priority of their use.

The following Flow of Funds diagram outlines the priority in which the Authority's revenues are allocated.

Arizona Sports and Tourism Authority
Statutory Flow of Funds

Sources of Funds



Footnotes

(a) The Facility RCA is used for debt service requirements on senior and subordinate bonds. Any remaining funds go to the operations account.
(b) All sources of revenue of the Authority (except for the non-pledged portion of the NFL Income Tax) are pledged to the Authority's senior and subordinate bond debt service above all other distribution priorities.

Description of Accounts

Tourism Revenue Clearing Account

The Tourism Revenue Clearing Account ("TRCA") receives the tourism tax revenues from the hotel bed tax and the car rental surcharge. The taxes began in March 2001 and will be collected through February 2031. These revenues are then distributed on the second Tuesday of the following month in the following order of priority:

- The first priority is to the actual debt service on bonds issued to finance the construction of the University of Phoenix Stadium. The debt service amount to be distributed from the TRCA is limited to $165.5 million of the total bond principal amount.

- The second funding priority is to the tourism account based on $4.0 million in the first 12 months growing by five percent every 12-month period thereafter during the term of the tourism taxes.

- The third funding priority is to promote and market Cactus League baseball as well as to meet the Subordinate Bond debt service requirements. This account will receive $250,000 per month during the first 84 months and increases per the statute's requirements thereafter.

- The fourth funding priority is youth and amateur sports, which is to receive $1.0 million in its first 12 months increasing by $100,000 every 12-month period thereafter during the term of the tourism taxes.

- The next priority is the Authority's annual operating budget which also includes the Stadium operating budget as managed by the Stadium management company, Global Spectrum, L. P. The distribution is based on the total fiscal year's operating budget divided into equal monthly installments.

- The final funding priority is for three reserve accounts: the youth and amateur sports reserve, the operating reserve and a capital repair and replacement reserve.

Facility Revenue Clearing Accounts – Pledged and Non-Pledged

The Pledged Facility Revenue Clearing Account receives the following revenue sources: the professional football franchise income tax, the state and local sales tax recapture revenues, Fiesta Bowl ticket surcharge, Cardinals annual rent and all other event revenues from Stadium operations. These revenues are used for one primary purpose – to fund a portion of the debt service for the Authority's outstanding senior and subordinate bond issues.

The Non-Pledged Facility Revenue Clearing Account receives that portion of the professional football franchise income tax which is determined as being non-football related. This account is designated strictly for meeting the Authority's operating expenses.

Comparative Data and Reclassifications

Certain balances from 2011 have been reclassified to conform to current year presentation of the financial statements. The reclassifications had no effect on the results of operations for 2011.

Note 3 - Cash and Cash Equivalents

At June 30, 2012 and 2011, the Authority had total cash and cash equivalents on deposit of $28,073,642 and $32,837,804, respectively, through its commercial bank and bond trustee accounts.

The Authority, throughout the year, maintains cash at these financial institutions in excess of the $250,000 per bank limit insured by the Federal Deposit Insurance Corporation (FDIC). The cash balances on deposit with these financial institutions exceed the balance insured by the FDIC by $27,408,660 and $32,087,804 at June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, the Authority's commercial bank accounts at BBVA Compass Bank, N. A. accounted for a total of $12,120,553 and $13,760,203, respectively, of all cash and cash equivalents which are invested in overnight money markets.

The Authority had a total of $15,953,089 and $19,077,601, respectively for 2012 and 2011, in its trust accounts. Proceeds to purchase these marketable securities, which consist of overnight money markets, were derived from the Authority's senior bond issue, construction sales tax recapture, contributed capital, related debt service accounts for both the senior and subordinate bond issues, Cactus League, Tourism Revenue, Pledged Facility Revenue Clearing Account and the Construction Trust Account.

Note 4 - Accounts Receivable

Accounts receivable consisted of the following as of June 30:

	2012	2011
Accounts receivable	$ 497,595	$ 214,777
Hotel Bed Tax	1,776,963	1,733,804
Car Rental Surcharge	1,558,815	1,396,401
Sales Tax Recapture	2,455,142	437,357
	6,288,515	3,782,339
Due from insurance recoveries	290,983	1,613,982
Allowance for doubtful account	(290,983)	-
	$ 6,288,515	$ 5,396,321

Note 5 - Restricted Assets

Restricted assets consisted of the following at June 30:

	2012	2011
Cash and cash equivalents	$ 28,073,642	$ 32,837,804
Receivables	6,288,515	5,396,321
	$ 34,362,157	$ 38,234,125

Note 6 - Capital Assets

Capital asset activity consisted of the following for the year ended:

	July 1, 2011	Additions	Impairment/ Disposals	June 30, 2012
Capital assets not being depreciated:				
Land	$ 2,773,165	$ -	$ -	$ 2,773,165
	2,773,165	-	-	2,773,165
Capital assets being depreciated:				
University of Phoenix Stadium	474,739,938	1,878,250	(264,268)	476,353,920
Stadium FF&E	9,643,713	-	-	9,643,713
Computer equipment	48,103	3,010	-	51,113
Furniture and fixtures	133,563	-	-	133,563
Office equipment	15,577	-	-	15,577
Capitalized software	10,168	-	-	10,168
Assets under capital lease	60,039	-	-	60,039
	484,651,101	1,881,260	(264,268)	486,268,093
Less accumulated depreciation:				
University of Phoenix Stadium	(70,583,381)	(14,348,760)	-	(84,932,141)
Stadium FF&E	(6,600,722)	(478,020)	-	(7,078,742)
Computer equipment	(48,103)	(533)	-	(48,636)
Furniture and fixtures	(132,101)	(1,462)	-	(133,563)
Office equipment	(15,447)	(130)	-	(15,577)
Capitalized software	(10,168)	-	-	(10,168)
Assets under capital lease	(60,038)	-	-	(60,038)
	(77,449,960)	(14,828,905)	-	(92,278,865)
	$ 409,974,306	$ (12,947,645)	$ (264,268)	$ 396,762,393

Capital asset activity consisted of the following for the year ended:

	July 1, 2010	Additions	Disposals	June 30, 2011
Capital assets not being depreciated:				
Land	$ 2,773,165	$ -	$ -	$ 2,773,165
	2,773,165	-	-	2,773,165
Capital assets being depreciated:				
University of Phoenix Stadium	476,353,920	1,360,007	(2,973,989)	474,739,938
Stadium FF&E	9,643,713	-	-	9,643,713
Computer equipment	48,103	-	-	48,103
Furniture and fixtures	133,563	-	-	133,563
Office equipment	15,577	-	-	15,577
Capitalized software	10,168	-	-	10,168
Assets under capital lease	60,039	-	-	60,039
	486,265,083	1,360,007	(2,973,989)	484,651,101
Less accumulated depreciation:				
University of Phoenix Stadium	(56,234,621)	(14,348,760)	-	(70,583,381)
Stadium FF&E	(5,837,459)	(763,263)	-	(6,600,722)
Computer equipment	(48,103)	-	-	(48,103)
Furniture and fixtures	(118,745)	(13,356)	-	(132,101)
Office equipment	(13,222)	(2,225)	-	(15,447)
Capitalized software	(10,168)	-	-	(10,168)
Assets under capital lease	(60,038)	-	-	(60,038)
	(62,322,356)	(15,127,604)	-	(77,449,960)
	$ 426,715,892	$ (13,767,597)	$ (2,973,989)	$ 409,974,306

Note 7 - Noncurrent Liabilities – City of Avondale

The Authority entered into an intergovernmental agreement with the City of Avondale, Arizona in September 2001 to help finance the construction of a youth sports field. The Authority's Board of Directors committed $3,430,000 million plus associated financing costs to the repayment of approximately 67% of the total project value. The commitment accrues interest, in accordance with the intergovernmental agreement; at 2.98% per year on the unpaid balance. The Authority pledged a total of 25% of its annual youth and amateur sports statutory funding to the repayment of this obligation.

Balances due to the City of Avondale were as follows as of June 30:

	2012	2011
Payable to the City of Avondale	$ 328,533	$ 770,274
Less: Current portion	(328,533)	(700,673)
Long-term portion	$ -	$ 69,601

Note 8 - Noncurrent Liabilities – Arizona Cardinals

Arizona Cardinals

The Authority recorded $6,239,434 in fiscal year 2006 as a noncurrent liability to B&B Holdings, Inc. (dba The Arizona Cardinals) per the August 15, 2005 Facility Use Agreement. The nature of this liability is the repayment of a portion of the costs incurred by the Arizona Cardinals for on-site improvements and for the purchase of the 165 acres of land on which the Stadium and its adjacent parking reside. Repayment of this liability was projected to begin in 2012 and is to be funded from waterfall of available funds under Arizona State Statute. The payment of $538,738 was not made as of or subsequent to year-end. The current portion for 2012 includes the payment due on June 30, 2012 and June 30, 2013.

Balances due to The Arizona Cardinals were as follows as of June 30:

	2012	2011
Payable to The Arizona Cardinals, accruing interest at 5% annually. Payments of principal and accrued interest to begin June 30, 2012 through June 30, 2019	$ 8,363,623	$ 7,964,316
Less current portion	(1,629,371)	(538,738)
	$ 6,734,252	$ 7,425,578

Future minimum principal payments on this liability are as follows:

2013	$ 1,629,371
2014	1,052,931
2015	1,291,171
2016	1,436,851
2017	1,031,739
2018-2019	1,921,560
	$ 8,363,623

Note 9 - Noncurrent Liabilities – Cactus League Payable

The Authority, through its Cactus League promotion account, provides financing assistance to cities in Maricopa County which host Major League Baseball spring training teams. As of the end of fiscal year 2012, the Authority has provided financing or funding commitments for three new stadiums and the renovation of three existing stadiums.

The following is a listing of the cities, the teams, and the projects which are being funded under government mandate A.R.S. Section 5-808:

City	Team(s)	Agreement Year	Project Completed	Principal Amount	Interest Rate
Tempe, Arizona	Los Angeles Angels of Anaheim	2004	2006	$ 12,000,000	4.3974%
Scottsdale, Arizona	San Francisco Giants	2005	2007	$ 20,000,000	4.4540%
Goodyear, Arizona	Cleveland Indians	2007	2009	$ 37,375,000	4.7726%
Glendale, Arizona	Chicago White Sox and Los Angeles Dodgers	2007	2009	$ 60,000,000	5.0000%

The Authority recorded these payables as a noncurrent liability because it does not have the funding resources to pay for these projects on an upfront basis. Over the life of the tourism tax revenues (i.e. the hotel bed tax and the car rental surcharge) the funding for Cactus League is projected to be $205,000,000 plus the amount that the Authority will receive through its agreement with the Maricopa County Stadium District. Through the Authority's IGA with each of the cities, each city is responsible for funding 100% of the project at the time of construction. The Authority accrues interest on the outstanding balance at the lesser of the actual rate each city secured through their project financing program or 5.0% per year. The Authority makes payments to the cities in accordance to the existing IGA's and as funding becomes available through the Cactus league promotion account in accordance with A.R.S. Section 5-808.

The following balances are due for Cactus League as of June 30:

	2012	2011
Payable to City of Tempe, accruing interest at 4.40%, payment determined from available excess car rental surcharge revenues with final payment due in 2017.	$ 14,482,973	$ 14,550,162
Payable to City of Scottsdale, accruing interest at 4.45%, payment determined from available excess car rental surcharge revenues with final payment due in 2017.	19,779,030	19,608,242
Payable to City of Goodyear, accruing interest at 4.40%, payments projected to begin in 2017 after repayment of City of Tempe and City of Scottsdale payables.	43,766,898	41,768,002
Payable to City of Glendale, accruing interest at 5%, payments projected to begin in 2017 after repayment of City of Tempe and City of Scottsdale payables.	70,779,765	67,400,507
	$ 148,808,666	$ 143,326,913

Tempe

The Authority committed a maximum of $12 million to the City of Tempe in November 2004. The City of Tempe project was completed in February 2006. The Authority began to repay its commitment to Tempe in fiscal year 2005 from available Cactus League and Maricopa County Stadium District funds related to its excess car rental surcharge revenues. For the second consecutive fiscal year, the Authority continues to receive Tourism Revenues below the original 30-year tourism revenue forecasts. Additionally, no dollars have been contributed from the Maricopa County Stadium District excess car rental surcharge revenues; due to overall Tourism Revenues being down. As such, the Authority reduced the distributions made to the city. The distributions are lower-than-original distribution forecast and are expected to continue throughout the near term; until such time as Tourism Revenues return to their original 30-year tourism revenue forecasts.

Scottsdale

The Authority committed a maximum of $20 million to Scottsdale in March 2005. The City of Scottsdale project was a two-phase project with the first phase being completed in February 2006 and the second phase completed in February 2007. The Authority began to repay its commitment to Scottsdale in fiscal year 2005 from available Cactus League and Maricopa County Stadium District funds related to its excess car rental surcharge revenues. For the second consecutive fiscal year, the Authority continues to receive Tourism Revenues below the original 30-year tourism revenue forecasts. Additionally, no dollars have been contributed from the Maricopa County Stadium District excess car rental surcharge revenues; due to overall Tourism Revenues being down. As such, the Authority reduced the distributions made to the city. The distributions are lower-than-original distribution forecast and are expected to continue throughout the near term; until such time as Tourism Revenues return to their original 30-year tourism revenue forecasts.

Goodyear

The Authority committed a maximum of $37.375 million to Goodyear in January 2007 for up to 50% of the projected cost of constructing a one-team stadium and practice facility for the Cleveland Indians. The stadium and related practice facility were completed in the fall of 2008 and were in operation for the 2009 spring training baseball season. Based on Goodyear opening the stadium, the Authority started to accrue interest in fiscal year 2009. Based on the existing IGA’s with the cities of Tempe and Scottsdale, it is projected that the Authority will begin to make payments to Goodyear in fiscal year 2017.

On April 7, 2008, the Authority’s Board of Directors approved Resolution No. 2008-75 which revised the existing funding plan related to present and future Cactus League projects. A primary provision of this resolution granted up to an additional maximum of twenty million dollars to the City of Goodyear for developing a practice facility for a second team. The funding source(s) that would pay for the additional commitment to the City of Goodyear, however, does not currently exist. This commitment will become a recorded liability if there is a renewal or extension of the Authority’s current revenues or the creation of a new funding source for Cactus League purposes after fiscal year 2031. Based on this understanding and acknowledgement by the City of Goodyear, the Authority, under GASB 33 – Accounting and Financial Reporting for Non-exchange Transactions, will not record this additional liability to its financial statements until such time that these currently non-existent funding sources become reality.

Glendale

The Authority committed a maximum of $60 million to Glendale in August 2007 for up to two-thirds of the projected cost of constructing a two-team stadium and practice facility for the Chicago White Sox and the Los Angeles Dodgers. The stadium and related practice facility were finished in the fall of 2008 and were in operation for the 2009 spring training baseball season. With the opening of the stadium, the Authority started to accrue interest on the outstanding amount in fiscal year 2009.

Note 10 - Bonds Payable

The Authority's bonds payable consisted of the following as of June 30:

	2012	2011
Tax Revenue Bonds, Series 2003A, interest from 3.00 percent to 5.00 percent, due through 3031 which was defeased as of June 05, 2012 through advance refunding.	$ 2,145,000	$ 130,430,000
Subordinate Tax Revenue Bonds, Series 2003, interest from 2.25 percent to 5.00 percent, due through 2016 (Subordinate Bonds)	20,595,000	23,235,000
Senior Variable Rate Demand Revenue Refunding Bonds, Series 2008, variable rate interest, due through 2036 defeased as of June 05, 2012 through current refunding.	-	53,050,000
Senior Revenue Refunding Bonds (Multipurpose Stadium Facility Project) Series 2007A	89,440,000	89,755,000
Senior Revenue Advance Refunding Bonds (Multipurpose Stadium Facility Project) Series 2012A	176,740,000	-
Less deferred amount in refunding	(6,060,089)	-
Total bonds payable	282,859,911	296,470,000
Less current portion of bonds payable	(6,125,000)	(5,550,000)
Total non-current portion of bonds payable	276,734,911	290,920,000
Plus unamortized premium	23,424,446	5,529,114
Total bonds payable plus unamortized premium	$ 300,159,357	$ 296,449,114

Debt service requirements subsequent to June 30, 2012 are as follows:

Year Ending June 30,	Principal Maturities	Interest	Total
2013	$ 6,125,000	$ 10,180,322	$ 16,305,322
2014	4,220,000	13,661,713	17,881,713
2015	4,480,000	13,447,688	17,927,688
2016	7,475,000	13,166,213	20,641,213
2017	8,120,000	12,809,638	20,929,638
2018 - 2022	57,275,000	56,855,944	114,130,944
2023 - 2027	77,125,000	40,735,063	117,860,063
2028 - 2032	100,250,000	19,033,750	119,283,750
2033 - 2037	23,850,000	3,050,000	26,900,000
	$ 288,920,000	$ 182,940,331	$ 471,860,331

Per the existing bond covenants, the Authority is to maintain a minimum bond coverage ratio of 1.30 and 1.15, respectively, for the 2003 series senior and subordinate bonds. Since the issuance of the first bonds in 2003, the Authority's revenues have exceeded these minimum coverage ratios in each and every succeeding fiscal year.

	2012	2011
2012A Senior Bonds	2.67	2.15
2003 Subordinate Bonds	1.53	1.37

Cost of Borrowing

The Authority's interest expense, excluding the change in fair value of the interest rate swap, for 2012 and 2011 was $20,784,117 and $21,925,090, respectively. Of these totals, $13,134,136 and $14,856,769, respectively for 2012 and 2011, are directly related to the Authority's bond issues. The balances, $7,649,981 and $7,068,321, respectively, for 2012 and 2011, are related to interest expense for Authority projects related to youth and amateur sports, Cactus League, and the Arizona Cardinals.

Bond Issuance Costs

The Authority has recognized and recorded on its Statement of Net Assets as deferred bond issue costs the amounts related to issuing its various senior and subordinate bonds and associated refundings. The Authority has deferred bond issue costs consisting of the following at June 30:

	2012	2011
Deferred bond issuance costs	$ 6,931,862	$ 11,217,549
Less: Accumulated amortization	(460,319)	(3,712,383)
	$ 6,471,543	$ 7,505,166

As a result of the 2012A bond refunding there were approximately $2,100,000 of costs incurred and deferred over the remaining life of the 2012A issue. Additionally, approximately $6,000,000 of bond issuance costs that were previously deferred for the 2003A and 2008 bond issuances were recorded against the 2012A bond premium in accordance with accounting for advance refundings, in 2012.

Senior Bonds - Stadium Construction Related Bonds

Series 2003A Senior Bonds

In February 2003, the Authority issued $221,950,000 in Tax Revenue Bonds, Series 2003A, interest from 3.00 percent to 5.375 percent, due through 2031 ("Senior Bonds"). The Senior Bonds are tax-exempt revenue bonds with a final maturity date in 2031. The proceeds were used, along with several other sources of funding, to finance the construction of the University of Phoenix Stadium. These bonds are insured by MBIA Insurance. On June 5, 2012, these bonds were defeased through the 2012A advance refunding which is described below.

Series 2005 Senior Bonds

On September 29, 2005, the Authority issued additional senior lien debt of $53,050,000 in tax exempt, variable rate revenue bonds. These bonds were issued in order to secure the necessary final funding for the stadium project, site improvements, extravaganza seating and related storage space build-out. These bonds are on par with the Authority's 2003A senior bonds and share the same pledged revenues. The rate for these bonds is reset on a weekly basis. On June 5, 2012, these bonds were defeased through the 2012A advance refunding which is described below.

Series 2007A Senior Bonds – Advanced Refunding

In January 2007, the Authority issued $90,000,000 in Senior Revenue Refunding Bonds (Multipurpose Stadium Facility Project) Series 2007A as part of an advance refunding of $87,420,000 in Tax Revenue Bonds, Series 2003A. The Series 2007A bonds mature between 2010 and 2024 and carry coupon rates from 4.00 percent to 5.00 percent. The Authority issued the Refunding Bonds in order to replace higher interest debt instruments with those with lower interest carrying costs. The Authority realized an estimated $2.8 million in net present value savings through the advance refunding. The net proceeds from the sale of the 2007A Refunding bonds, $92,270,533, were put into an escrow account with the Authority's trustee, The Bank of New York, and invested in State and Local Government Series. The escrow account will be used to pay the debt service on the old debt during the period between the refunding date and the call date. The Authority considers the amount of the Series 2003A senior bond debt, $87,420,000, to be defeased which was reflected in its financial statements as of June 30, 2007. The refunding bonds are insured by MBIA Insurance.

Series 2008 Senior Bonds – Revenue Refunding

The Series 2008 Variable Rate Demand Revenue Refunding Bonds replaced the entire Series 2005A bonds with exactly the same maturity schedule as the original Series 2005A bonds. The Authority issued this refunding in response to the sub-prime mortgage issue in January 2008, which directly impacted the credit rating of the bonds' insurer, Ambac Assurance, which in turn, created a lack of demand in the marketplace for the Authority's 2005A bonds. In order to remarket the Authority's bonds on a weekly basis, the remarketing agent for the Authority, was required to offer higher rates of interest rate yield to prospective bondholders in order to sell the Authority's bonds. On June 5, 2012, these bonds were defeased through the 2012A advance refunding which is described below.

Series 2012A Senior Bonds – Advance Refunding

On June 5, 2012, the Series 2012A refunding bonds were issued to refund the 2003A, 2005, and 2008 variable rate bonds. A bond reserve in the amount of $266,430,000 was established with the Bank of New York Mellon using bond proceeds. The rate on the 2012A is 4% from 2015 through 2020 and 5% from 2021 for the duration of the debt life. The advance refunding was undertaken to reduce the interest rate risk exposure related to the variable interest rate bonds, interest rate swap and decreased the total debt service payments over the length of the debt by $2,000,000. This resulted in an economic gain of $8,616,330.

Deferred Amount on Refunding

On June 5, 2012, the Authority advance refunded the above bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the Authority's financial statements. On June 5, 2012, $176,740,000 of bonds outstanding are considered defeased. The advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt which was deferred and is being amortized over the life of the new debt.

Series 2003 Subordinate Bonds – Cactus League Related Bonds

In February 2003, the Authority issued $32.4 million in Subordinate Tax Revenue Bonds, Series 2003, interest from 2.25 percent to 5.00 percent, due through 2016 ("Subordinate Bonds"). The Subordinate Bonds are tax-exempt revenue bonds with a final maturity in 2016. The proceeds from these bonds were used to pay the balance of the $32 million committed to the City of Surprise for the Authority's share of funding for the brand new Surprise spring training facility, which is home to the Texas Rangers and the Kansas City Royals.

A subordinate bond reserve is required under the terms of the indenture governing the subordinate bonds. There were several options available to the Authority for fulfilling this requirement. The Authority opted for creating a 10 percent reserve of the original principal amount of all series of Subordinate Bonds any of which remain outstanding. This reserve amount of $3.24 million was fully funded in February 2008 and continues to be maintained at the required amount.

Note 11 - Liabilities

Liability activity was as follows for the years ended:

	July 01, 2011	Additions	Reductions	June 30, 2012	Amounts Due within One Year
Payable to City of Avondale	$ 770,274	$ 31,364	$ (473,105)	$ 328,533	$ 328,533
YAS grant award payable	748,153	1,400,000	(1,180,846)	967,307	967,307
Deferred revenue	1,442,834	750,000	(860,287)	1,332,547	832,547
Fair value of interest rate swap	6,002,528	3,875,472	(9,878,000)	-	-
Cactus league payable	143,326,913	6,532,909	(1,051,156)	148,808,666	-
Bonds principal payable	301,999,113	197,103,735	(186,758,402)	312,344,446	6,125,000
Bonds interest payable	6,014,536	20,975,761	(23,692,732)	3,297,565	3,297,565
Payable to Arizona Cardinals	7,964,316	399,307	-	8,363,623	1,629,371
Total	$ 468,268,667	$ 231,068,548	$ (223,894,528)	$ 475,442,687	$ 13,180,323

	July 01, 2010	Additions	Reductions	June 30, 2011	Amounts Due within One Year
Payable to City of Avondale	$ 1,196,889	$ -	$ (426,615)	$ 770,274	$ 473,105
YAS grant award payable	1,290,406	748,153	(1,290,406)	748,153	748,153
Deferred revenue	1,698,029	244,805	(500,000)	1,442,834	942,834
Fair value of interest rate swap	6,848,775	-	(846,247)	6,002,528	-
Cactus league payable	136,722,798	6,604,115	-	143,326,913	-
Bonds principal payable	307,413,317	-	(5,414,204)	301,999,113	5,550,000
Bonds interest payable	6,098,458	6,014,536	(6,098,458)	6,014,536	6,014,536
Payable to Arizona Cardinals	7,585,063	379,253	-	7,964,316	538,738
Total	$ 468,853,735	$ 13,990,862	$ (14,575,930)	$ 468,268,667	$ 14,267,366

Note 12 - Sources of Pledged Revenues

The following are the Revenue Sources Pledged related to the senior bond for the years ended June 30:

	2012	2011
Hotel bed tax	$ 12,893,908	$ 12,220,659
Rental car tax	9,906,061	9,153,216
NFL income tax	6,168,488	5,810,440
Sales tax recapture	8,455,418	6,832,319
Fiesta Bowl Ticket Surcharge	-	376,341
Other stadium revenue	2,371,165	1,499,723
	$ 39,795,040	$ 35,892,698

Several of the pledged revenues presented above vary from the amounts presented in the Statement of Revenues, Expenses and Changes in Net Assets due to various statutory or contractual agreements which amend the amount the Authority may claim as a pledge to its senior bond debt repayment. This agreement provides the District's annual excess funds exclusively for the Authority's Cactus League purposes. These funds, in turn, are used by the Authority to defease the amount due and owing to the City of Scottsdale under our intergovernmental agreement for their Cactus League stadium and practice field renovation project.

Note 13 - Commitments and Contingencies

Arizona Cardinals

The Authority and the Arizona Cardinals are contractually bound by several agreements related to the University of Phoenix Stadium. The Use Agreement provides for the Cardinals use of the Stadium for a period of 30 years in order to play their NFL home game schedule. The Authority receives an annual rent payment from the Cardinals and also pays for their game-related expenses. The Authority, under the Facility Use Agreement, is obligated to reimburse the Cardinals for certain expenses related to the construction of the Stadium (see footnote 8). The parking agreement provides for the Cardinals control over the operation of the Stadium's parking lots and the Authority's reimbursement to the Cardinals for use of the lots for Authority events.

Arizona Office of Tourism

The Authority has a statutory obligation to provide to the Arizona Office of Tourism (AZOT) an annual amount for marketing and tourism promotion within Maricopa County. The initial annual amount was $4.0 million beginning in June 2001. This annual amount is increased by five percent per year thereafter. Expense related to the distribution to AZOT was $6,439,960 and $5,622,235, respectively, for the fiscal years 2012 and 2011.

Fiesta Bowl

The Authority and the Fiesta Bowl are governed by a Use Agreement which provides for the Fiesta Bowl's use of the Stadium for their annual event for an initial period of 30 years. The Authority has further agreed to subsidize the Fiesta Bowl's annual event by providing for a fixed amount of the actual game day expenses. Under the agreement the Fiesta Bowl is required to collect and remit to the Authority several revenues including a ticket surcharge and a facility use fee.

Global Spectrum

Global Spectrum was selected by the Authority in 2004 to be its stadium management operator. This contractual arrangement started in 2004 – two years prior to the opening of the Stadium. Under the agreement the Authority is responsible for funding Global Spectrum's operating costs of the Stadium under a budget and annual plan approved by the Authority's Board of Directors. In 2010, the Authority and Global Spectrum entered into an extension of the original operating agreement which will run for 39 months expiring in June 2013.

Concessions Agreement

On February 9, 2010, the Authority and the Arizona Cardinals entered into a Concession Services Agreement with Rojo Hospitality Group, LLC (Rojo) which commenced August 1, 2010 to manage and operate Concession Services at the Stadium. The term of this agreement shall be two years from the commencement date unless extended or terminated (the term). The agreement has an option to extend the term for an additional one year period after the term if Rojo gives the Authority, the Arizona Cardinals, and the Manager a written request to extend the term no later than 120 days prior to the expiration of the term and the Authority, in its sole and absolute discretion, does not provide Rojo notice of its intent to renew within 30 days thereafter. If any such extension is granted a similar option to extend shall exist with respect to the then current term.

Rojo will collect all gross revenues on behalf of and for the Authority and, out of such gross revenues, remit the agreed upon gross revenue percentage to the Authority for events (other than Arizona Cardinals home games and the Fiesta Bowl). Within 30 days after execution of this agreement Rojo provided, under the terms of the agreement, a loan of $1,000,000 (non-interest bearing) and an advance on “Year One Remittances” of $500,000. In the event the agreement is terminated by the Authority prior to July 31, 2011, the Authority shall be obligated to immediately pay back the $500,000 advance, less the amount of Year One Remittances retained by Rojo as of the date of such termination. On January 1, 2011, Rojo shall pay the Authority $500,000 as an advance on “Year Two Remittances” with respect to the period commencing August 1, 2011. In the event the agreement is terminated by the Authority prior to July 31, 2012, the Authority shall be obligated to immediately pay back the $500,000 advance, less the amount of “Year Two Remittances” retained by Rojo as of the date of such termination. Similar terms exist if the term is extended.

Payments of $250,000 on the loan of $1,000,000 will be due to Rojo on an annual basis commencing August 1, 2011 through August 1, 2014. In addition, Rojo will transfer and remit to the Authority $250,000 on each August 1 commencing August 1, 2011 unless the Concession Services Agreement is terminated or has expired. Due to the terms of this arrangement, the loan from Rojo has been classified as long-term deferred revenue.

City of Goodyear

On April 7, 2008, the Authority’s Board of Directors approved Resolution No. 2008-75 which approved a revised funding plan related to present and future Cactus League projects. A primary provision of this resolution granted an additional maximum of twenty million dollars to the City of Goodyear for its Cactus League spring training baseball facility project for a second team’s practice facilities. However, the funding that would pay for this additional commitment does not currently exist. Under the resolution the funding would potentially come from the renewal or extension, post-2031, of the Authority’s current revenues or a new, yet-to-be identified funding source. Based on this understanding and acknowledgement by the City of Goodyear, the Authority, under GASB 33 – Accounting and Financial Reporting for Nonexchange Transactions, will not record this additional liability to its financial statements until the new funding revenues have been implemented and are available to the Authority.

Youth and Amateur Sports

The Authority has a statutory obligation to set aside and use funds designated for youth and amateur sports promotion and projects within Maricopa County as are available from the Tourism Revenue Clearing Account. The Authority has established a biennial grant process as well as a year-round quick grant process in order to award these monies to qualifying organizations and projects. Based on Arizona Revised Statute, the annual amount to be allocated to youth and amateur sports was $1.0 million increasing by $100,000 annually thereafter. The Authority has $3,090,921 and $3,450,788 as of June 30, 2012 and 2011, respectively, in cash balances allocated to youth and amateur sports and is in compliance with the statute.

Note 14 - Defined Benefit Plan

The Authority and its employees are members of the Arizona State Retirement System’s Defined Benefit Plan (Plan), which is administered by the Arizona State Retirement System (ASRS). Under the Plan, both the employee and the employer contribute an equal percentage based on the employee’s gross wages. Employee contributions are calculated on a pre-tax basis. The contribution percentage during 2012 and 2011was 10.24 and 10.10 percent, respectively, as determined by the ASRS. Retirement benefits are determined by ASRS based on the member’s credited service along with the member’s final average salary. For the years ended June 30, 2012, 2011, and 2010, the Authority made contributions of $40,657, $29,395, and $42,776, respectively to the Plan.

Note 15 - Interest Rate Swap

On June 5, 2012 the authority terminated the interest rate swap in connection with the 2012A Advance Refunding. The fair value at termination was $9,878,000 of which approximately $3,875,000 was expensed in 2012. For the year ended June 30, 2011 the fair value of the interest rate swap agreement was reduced by approximately $846,000. The Authority, at the time of the variable rate bond issuance in September 2005, entered into a Series 2005A Swap Agreement in order to reduce the risk of future interest rate increases to the bonds' variable rate. Under the swap agreement, the Authority is the fixed rate payer and Royal Bank of Canada, the swap counterparty and liquidity facility issuer, is the variable rate payer.

Fair Value

The Authority considers its hedge swap agreement as ineffective, and as such has recorded the hedge at fair value. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Note 16 - Subsequent Event

Effective August 20, 2012, the Authority entered into an intergovernmental agreement (IGA) with the City of Phoenix (the City) to partially fund The Maryvale Spring Training Facility Renovation Project (the Project). The total amount of the project is estimated at $1,535,200. As defined in the IGA, the Authority Contribution is to be approximately $1,000,000 and is due after payment of the amount due under any prior existing Maricopa County Stadium District (MCSD) project commitments.