Financial Statements
June 30, 2016

AZSTA

ARIZONA SPORTS & TOURISM AUTHORITY

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Arizona Sports and Tourism Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Sports and Tourism Authority as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Pension Contributions on page 34 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 them 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 inquires, 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 28, 2016

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.

The Authority's statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2016. The statement of net position is presented to provide the reader with a financial picture of the Authority's assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position. The difference between total assets, deferred inflows of resources, total liabilities, and deferred outflows of resources represents the Authority's net position.

The purpose of the statement of net position is to illustrate what is available for the 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, what cash and cash equivalents are available, and what amounts are owed to and by the Authority.

The change to net position as seen on the statement of net position is based on the activity that is presented on the statement of revenues, expenses and changes in net position. The reader will see the revenues and expenses broken down into operating and non-operating categories, as well as any adjustments made to the net position as of the beginning of the year. The decrease in net position is attributable to normal operating and non-operating conditions for the Authority in fiscal year 2016. Details are discussed below within the MD&A.

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:

- The Tourism Revenue Clearing Account accumulates the tourism tax revenues received from the Arizona Department of Revenue (AZ-DOR), as generated by the Hotel Bed Tax and the Rental Car Surcharge Tax. The Authority distributes 100% of these tourism revenue receipts, in order of priority, to: the Senior Bonds Debt Service account, the Tourism Promotions account, the Cactus League Promotions account, Youth and Amateur Sports account, to the Authority's General Operations account, and to the three reserves; also in order of priority: Youth and Amateur Sports, Operations, and Capital Repair and Replacement.

- The Facility Revenue Clearing Account accumulates the revenues related to the National Football League (NFL) Franchise Income Tax revenues and those revenues derived from the operation of the Stadium including: state and local sales tax recapture, rent from the Arizona Cardinals (the Cardinals), facility use fees, food and beverage commissions, ticket surcharges from the Fiesta Bowl, and all other revenues generated by events held at the Stadium. The Authority distributes 100% of these facility revenue receipts, in order of priority, to the Senior Bond Debt Service account, to the Subordinate Bond Debt Service account, and to the Operations account.

- Senior and Subordinate Bonds 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 Promotion Account represents the activities of assisting local municipalities with the costs of financing new construction and/or 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.

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.

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

Condensed Statements of Net Position

	June 30 2016	June 30 2015
Assets		
Current assets	$ 62,095,247	$ 52,527,104
Capital assets non-depreciable	2,773,165	2,773,165
Capital assets depreciable, net	355,603,294	371,191,083
Total assets	$ 420,471,706	$ 426,491,352
Deferred Outflows of Resources		
Deferred amount on refunding of debt	$ 7,201,924	$ 7,772,442
Pension related deferred outflows	121,054	124,325
Total deferred outflows of resources	$ 7,322,978	$ 7,896,767
Liabilities		
Current liabilities	$ 28,266,623	$ 19,015,572
Noncurrent liabilities	421,374,961	435,848,071
Total liabilities	$ 449,641,584	$ 454,863,643
Deferred Inflows of Resources		
Pension related deferred inflows	$ 65,442	$ 122,368
Total deferred inflows of resources	$ 65,442	$ 122,368
Net Position		
Net investment in capital assets	$ 80,545,458	$ 87,923,904
Unrestricted	(102,457,800)	(108,521,796)
Total net position	$ (21,912,342)	$ (20,597,892)

A total asset decrease of $6,019,646 or 1.41% is the result of an increase in current assets of $9,568,143 or 18.22% and a decrease of non-current assets of $15,587,789 or 4.17%. Cash and equivalents increased by $7,476,612; Accounts receivable increased by $2,142,023. These two are the result of increased 'tourism' and 'facilities' revenue receipts in fiscal 2016. Capital assets decreased by $15,587,789, or 4.20% year-to-year; primarily due to the recording of the annual depreciation expense for depreciable assets.

Deferred outflows of resources decreased as of June 30, 2016 compared to the June 30, 2015 by $573,789, or 7.27%. This is net of $3,721 of pension-related outflows related to the provisions of GASB Statements 68 and 71 for fiscal year 2016. The decrease of $570,518 represents the annual amortization of the deferral of both senior bonds and subordinate bonds issue costs for the fiscal year.

Total liabilities as of June 30, 2016 decreased a total of $5,222,059, or 1.15% in fiscal year 2016; as compared to fiscal year 2015.

Current liabilities increased by $9,251,051 or 48.65%. This increase was driven by a Youth and Amateur Sports payables increase of $1,794,576; as 2015 was not a biennial grant year; and an increase of $5,420,180 in advanced revenue due to a large sporting event held at the Stadium in June 2016.

Non-current liabilities decreased $3,694,788 or 0.84%, year-to-year. This was the result of a decrease in Cactus League payables of $2,979,000, 2.07%; as the Authority made principal and interest payments on the Cactus League intergovernmental agreements with the City of Tempe and City of Scottsdale; Bonds principal and premiums decreased by $8,764,984, or 2.97%; as the Authority made principal and interest payments on the outstanding senior and subordinate bonds debt services; including the amortization of bond premiums for the year. These reductions were offset by the recognition of the notes payable to the AZ Cardinals for AZTA's share of the cost of the new scoreboard: (the balance as of June 30, 2015) $7,349,426 and a net pension liability of $699,770.

Non-current liabilities decreased $ 14,473,110 or a decrease of 3.32%, year-to-year. This was the result of a decrease in Cactus League payables of $4,038,574; as the Authority made principal and interest payments on the Cactus League intergovernmental agreements with the City of Tempe and City of Scottsdale; bonds principal and premiums decreased by $9,414,861; as the Authority made principal and interest payments on the outstanding senior and subordinate bonds debt services; including the amortization of bond premiums for the year, and a decrease in the Arizona Cardinals note payable of $1,094,836; as the Authority made principal and interest payments on the note. With the subordinate bonds payment funded in 2016 and paid on July 01, 2016; the Authority has paid the subordinate bonds in full. These reductions were offset by the increase in net pension liability of $75,161.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2016	2015
Operating Revenues	$ 31,146,472	$ 13,518,145
Operating Expenses	(58,056,641)	(40,034,459)
Operating Loss	(26,910,169)	(26,516,314)
Net Nonoperating Revenues	25,429,328	28,517,299
Income Before Capital Contributions	(1,480,841)	2,000,985
Capital Contributions	166,391	12,492,525
Change in Net Position	(1,314,450)	14,493,510
Net Position, Beginning of Year	(20,597,892)	(35,091,402)
Net Position, End of Year	$ (21,912,342)	$ (20,597,892)

Overall, from fiscal year 2015 to 2016 the reduction in the net position of the Authority equates to $1,314,450 or 6.38% is attributable to normal operating and non-operating conditions for the Authority. The decrease in net position is laid out in the details below.

The Authority's operating revenues increased in fiscal year 2016 by $ 17,628,327 or 131.40%. Stadium operating revenues increase in fiscal year 2016 compared to fiscal year 2015 by $ 15,368,555 or 115.52. Facility and ticket use revenues increased year-over-year in 2016 by $ 1,192,373 or 115.52%. Concessions revenues increased in fiscal year 2016 by $1,062,127 or 140.83% when compared to fiscal year 2015. The reason for these increases in operating revenues is attributable to the mix of events held at the stadium (excludes the AZ Cardinals home games and the Fiesta Bowl) and the timing of these events. In fiscal year 2016, there was a full slate of mega-events held at the stadium. This included the national college football championship game and an AZ Cardinals playoff game; thusly, generating the associated increase in operating revenues.

The Authority's operating expenses increased in fiscal year 2016 by $18,022,182 or by 45.02%. The individual components of operating expenses performed as follows in fiscal year 2016: Stadium management operations increased in fiscal year 2016, when compared to 2015 by $18,238,185, or 83.57% due to the increase in mega-events held at the stadium. Insurance costs increased in fiscal year 2016 by as a result of increased premiums, additional coverage requirements associated with major events held at the stadium, and maintaining the stadium designation as one of only three major stadiums in the United States with the Safety Act designation by Homeland Security. The increase in operating expenses was offset by a decrease in the depreciation expense, which decreased in fiscal year 2016 vs 2015 by $ 585,686. The remaining change is due to year-to-year variations in the other operating expenses; which are individually insignificant to the financial statements.

The Authority's non-operating revenues increased by $1,511,163 or 3.10% in fiscal 2016 as compared to fiscal 2015. In fiscal year 2016, AZSTA distributed $7,952,726 in Tourism promotional dollars; $399,633 more than in 2015. Youth and Amateur Sports Grant distributions increased by $2,716,608 in fiscal year 2016; as this was a biennial grant year for the Authority in the amount of $2,408,333. Hotel bed tax revenue receipts increased $777,588 year-to-year. Car rental surcharge tax revenues decreased by $1,229,538 in fiscal 2016 vs. 2015. These may be indicators that the tourism industry within Maricopa County and within the State of Arizona continues to recover slowly from the economic recession. The tourism industry in Arizona continues as one of the state's leading industry sectors.

The National Football League (NFL) income tax increased $92,950 or 1.33% in 2016. Since the start of fiscal year 2008, the Authority has not had the benefit of this revenue source having met the guaranteed minimum, as that was repealed by the Arizona State Legislature and Executive Branches. The elimination of this guarantee leaves only the actual income taxes paid that come to the Authority. This revenue source continues to under-perform since the Authority's second year of operations when compared to the original Proposition 302 revenue projections for the Authority.

Sales tax recapture/rebates to the Authority increased in 2016 by $1,859,663 or 20.32%. Events held at the University of Phoenix Stadium generate sales tax rebate / recapture revenues for the Authority; as the Authority receives both state and local sales tax recapture/rebate revenues from all related taxable transactions. There is an expense for fiscal year 2016 for the amount of $1,996,116 for facilities use fees due to the AZ Cardinals; as per the terms of the FUF Agreement. Interest expense increased by $445,854 during fiscal year 2016 as compared to fiscal year 2014. This interest is driven by both the senior bonds debt service and the subordinate bonds debt service.

In fiscal year 2016, the Authority reports $166,391 in capital contributions; as the result of the booking of new assets

Capital Assets (Note 6)

The Authority had additions to capital assets during fiscal year 2016 totaling $834,501 and disposals of $60,039 inclusive of the addition of the stadium security equipment, which was contributed by the Arizona Cardinals for $166,391.

Debt Obligations (Note 9)

The Authority outstanding debt obligations decreased in fiscal year 2016 due to the payments made throughout the year for both the senior and subordinate bonds debt service.

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

<u>BUDGET Narrative / Brief:</u>

Fiscal year 2016 was an exceptional year for the Authority's revenue receipts:

- Tourism revenue receipts exceeded the fiscal year 2016 budget forecast by $3,603,674, 13.48%: Hotel Bed Tax $3,003,644, 21.30% better than budget and Car Rental Surcharge Tax $600,031, 4.75% better than budget.
- Facilities revenue receipts exceeded the fiscal year 2016 budget forecast by $3,262,841, 42.12%: Food & beverage commissions $980,830, 130.05% better than budget and Sales Tax rebate/recapture $3,263,841, 42.12% better than budget.

These results were primarily due to the Stadium having been the "host" for the college football national championship game in fiscal year 2016; therein driving the tourism revenues (hotels and rental cars) higher across Maricopa County and generating more business-generating sales tax transactions via ticket and merchandise and food and beverage sales. Additionally, there were several mega events that the Stadium hosted such as the Motor Sports Monster Truck event, Three COPA America Centario soccer games, and an Arizona Cardinals playoff game that were all held at the stadium in fiscal year 2016. None of these events were originally forecast in the fiscal 2016 budget; with each significantly generating and contributing to the incremental facility revenue generation from food & beverage commissions and sales tax rebate/recapture from the taxing authorities.

Actual fiscal year 2016 administrative operating expenses exceeded the fiscal year budget by $146,308. Game day expenses (Fiesta Bowl + AZ Cardinals) were less than budgeted amount by $15,805; and administrative operating expenses for SPECTRA + the Authority aggregated to be more than the fiscal year 2016 budget by $162,113.

For fiscal year 2017, the Authority continues to utilize a conservative revenue forecast – particularly in our primary revenue source – Tourism Revenues. The budget for the fiscal year 2017 tourism revenues is $78,412 or .25% less than the actual revenues from fiscal 2016. This is due to the timing of the fiscal year 2017 budget creation and submission, the aforementioned conservative approach to revenue forecasting. The Authority is also following the guidance from the Joint Legislative Budget Committee (JLBC) that tourism revenues will continue to recover from the economic recession, but a very slow rate of increase year-to-year.

There are projected increases and decreases in the various revenues that comprise the total Facility-related revenues in fiscal year 2017. Again, these are modest fluctuations that aggregate to a .07% reduction year-over-year when compared to the actual receipts in fiscal year 2016.

Looking ahead, the Authority continues to forecast that it may take another four to five years before we are back to the year-to-year tourism revenue growth that was seen in the pre-recession years. Unfortunately, this continues to put the Authority further behind / significantly below the original Proposition 302 thirty-year tourism revenue forecast. As a result, the Authority has not been able to meet the full statutory 'waterfall' distributions each month for those distributions recipients that are below tourism promotions in the 'waterfall' priorities: i.e. cactus league promotion, youth and amateur sports programs, operations, and reserves.

We continue to forecast a series of operating deficits in both the near-term and the long-term. However, the Authority does anticipate that its current operating cash reserves will continue to be adequate to fund operations throughout the foreseeable future.

Future Tourism Revenue Distribution

In fiscal year 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 "maximums" for each distribution to Tourism, Cactus League and YAS on a monthly basis. The Authority follows a "waterfall" approach to the distribution to each priority during each month of a fiscal year. This priority and the maximum limits are defined by statute.

During fiscal year 2016, the Authority's receipts of Tourism revenues was not adequate to distribute down the entire 'waterfall' to fulfill all of the statutory distribution amounts each month; as projected in the original Proposition 302. Tourism Promotions distributions met 100% of the statutory maximum of distributions in fiscal year 2016. However, those distribution buckets further down the 'waterfall' (Cactus League promotions, Youth and Amateur Sports, Operations, and the reserves) received only a portion of their respective total statutory distributions.

The Authority received $30.56 million (June 2015 – May 2016) in total Tourism revenues for 'waterfall' distributions in fiscal year 2015 (July 2014 – June 2015); vs. the original Proposition 302 projection for fiscal year 2016 $36.91 million. The Authority distributed these Tourism revenues as follows in fiscal year 2016:

	$ Millions
Senior Bond	10.11
Tourism	7.95
Cactus League (Sub Bond DS included)	5.22
Youth & Amateur Sports	1.39
Stadium Operations	4.13
Reserves (YAS, Operations, Capital)	1.76

The Authority continues to project that the Tourism revenue receipts will not be enough to fully fund 100% of the statutory "waterfall" distributions each month in fiscal years 2017 – 2020.

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.

Assets	
Current Assets	
Cash and equivalents - restricted	$ 50,726,966
Cash and equivalents - restricted for subordinate bond reserve	1,249,292
Accounts receivable - restricted	10,117,685
Other assets	1,304
Total current assets	62,095,247
Noncurrent Assets	
Capital assets, non-depreciable	2,773,165
Capital assets, depreciable, net	355,603,294
Total noncurrent assets	358,376,459
Total assets	$ 420,471,706
Deferred Outflows of Resources	
Deferred amount on refunding of debt	7,201,924
Pension related deferred outflows	121,054
Total deferred outflows of resources	7,322,978
Liabilities	
Current Liabilities	
Accounts payable	$ 66,832
Accrued expenses	1,625,561
Youth and Amateur Sports grants payable	1,973,406
Bond principal payable	7,905,000
Bond interest payable	6,492,106
Arizona Cardinals facilities use fee payable	1,996,116
Arizona Cardinals note payable	1,164,643
Advanced revenue	7,042,959
Total current liabilities	28,266,623
Noncurrent Liabilities	
Cactus League payable	137,217,515
Bonds principal and premiums payable	277,127,925
Arizona Cardinals note payable	6,254,590
Net pension liability	774,931
Total noncurrent liabilities	421,374,961
Total liabilities	449,641,584
Deferred Inflows of Resources	
Pension related deferred inflows	65,442
Total deferred inflows of resources	65,442
Net Position	
Net investment in capital assets	80,545,458
Unrestricted	(102,457,800)
Total net position	$ (21,912,342)

Operating Revenues	$ 31,146,472
Operating Expenses	
Stadium operating expenses	40,063,008
Authority operating costs	1,571,344
Depreciation	16,422,289
Total operating expenses	58,056,641
Operating Loss	(26,910,169)
Nonoperating Revenues	
Hotel bed tax	17,316,660
Rental car tax	14,763,492
NFL income tax	7,080,929
Sales tax recapture	11,012,006
Interest income	11,880
Total nonoperating revenues	50,184,967
Nonoperating (Expenses)	
Arizona tourism distribution	(7,952,725)
Youth and Amateur Sports grant (awards)/recovery	(2,498,071)
Arizona Cardinals facilities use fee expense	(1,996,116)
Interest expense	(12,308,211)
Other expense	(516)
Total nonoperating (expenses)	(24,755,639)
Total net nonoperating revenues	25,429,328
Income (Loss) before Capital Contributions	(1,480,841)
Capital Contributions	166,391
Change in Net Position	(1,314,450)
Net Position, Beginning of Year	(20,597,892)
Net Position, End of Year	$ (21,912,342)

Cash Flows from Operating Activities	
Cash received from events (Stadium operations)	$ 36,519,781
Cash paid for events (Stadium operations)	(40,738,227)
Cash paid for employees	(580,364)
Cash paid for other operating expenses	(425,080)
Net Cash used for Operating Activities	(5,223,890)
Cash Flows from Non-Capital Financing Activities	
Payments to the Arizona Office of Tourism	(7,952,725)
Payments for Youth and Amateur Sports	(703,495)
Payments for Arizona Cardinals Note	(1,094,836)
Payments for Cactus League	(4,038,574)
Payments for Arizona Cardinals Use Fee	(304,929)
Cash paid for interest	(13,305,656)
Receipts from hotel bed tax	17,104,368
Receipts from rental car tax	14,398,361
Receipts from NFL income tax	7,080,929
Receipts from sales tax recapture	9,443,299
Net Cash from Non-Capital Financing Activities	20,626,742
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital additions	(668,120)
Cash paid on bond principal	(7,270,000)
Net Cash used for Capital and Related Financing Activites	(7,938,120)
Cash Flows from Investing Activities	
Cash from interest earned	11,880
Net Cash from Investing Activities	11,880
Net Change in Cash and Equivalents	7,476,612
Cash and Cash Equivalents, Beginning of Year	44,499,646
Cash and Cash Equivalents, End of Year	$ 51,976,258
Cash and Cash Equivalents	
Cash and equivalents - restricted	$ 50,726,966
Cash and equivalents - restricted for subordinate bond reserve	1,249,292
Total	$ 51,976,258

Operating Activities	
Operating loss	$ (26,910,169)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	16,422,289
Changes in operating assets and liabilities	
Accounts receivable	3,621
Other assets	(50,492)
Accounts payable	(865,349)
Accrued expenses	756,030
Advanced revenue	5,420,180
	$ (5,223,890)

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 to, among other things:

- construct, finance, furnish, maintain, improve, own, operate, market, and promote the use of the University of Phoenix Stadium (the 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;

- 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

- 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's Board of Directors is comprised of nine citizens of Maricopa County who volunteer their time and accept no compensation or per diem. The Board members are appointed to five-year terms by the Governor (five members), the President of the Senate (two members) and the Speaker of the House (two members), and are eligible to serve two terms. Board appointees are appointed to achieve a balanced representation of the Valley's regions as well as the Tourism Industry, Cactus League, Valley Hotel Industry and Youth Sports.

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 consolidated in the Authority's financial statements. The Authority's management agreement with Global expired on June 30, 2016. A new agreement was reached with Service Management Group (SMG), who replaced Global on July 1, 2016. The agreement with SMG expires on June 30, 2021.

Rojo Hospitality Group, LLC operates as an independent service provider to the Authority and provides catering and concession services throughout the Stadium. The Authority's agreement with Rojo Hospitality Group, LLC expires on March 31, 2021.

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 in August 2006. 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.

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 enterprise units adopted by the Governmental Accounting Standards Board (GASB). A summary of significant accounting policies follows.

The financial statements are reported 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 related cash flows.

Enterprise units 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 Stadium; revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods. The reclassifications had no impact on previously reported net assets.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly-liquid investments with an original maturity of three months or less. All cash is restricted for disbursement in accordance with the Arizona Revised Statutes Title 5 Chapter 8.

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.

Other receivables include approximately $290,984, in insurance proceeds receivable related to damages to the building which occurred in fiscal year 2011. The insurance carrier and other parties involved are currently in litigation to determine the party responsible for payment of the receivable.

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. As of June 30, 2016, the Authority has estimated and recorded an estimated allowance of $290,984.

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 or the fair market value on the date of donation. 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 the statement of revenues, expenses, and changes in net position.

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. No impairments occurred in fiscal year 2016.

Deferred Outflows of Resources

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2016, deferred outflows of resources consisted of deferred amounts on refunding of debt, net of accumulated amortization, in the amount of $7,201,924.

Contributions made by the Authority to its pension plan since the measurement date of the plan's net pension liability, the difference between expected and actual experiences in the plan, and changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are reported as pension related deferred outflows of resources. The contributions made since the measurement date of the plan will be recognized when the time period in which the contributions were made are encompassed by the plan. The difference between expected and actual experiences in the plan, and the changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are amortized over the estimated remaining work-life of active participants in the plan and recognized as a reduction of pension expense. As of June 30, 2016, there was $121,054 in deferred outflows related to pension expense, net of accumulated amortization. See Note 14 for additional information and disclosures related to the pension plan.

Deferred Inflows of Resources

The difference between projected and actual investment earnings of the pension plan are presented as pension related deferred inflows of resources. This differences is amortized over five years and recognized as a component of pension expense. As of June 30, 2016, $65,442 of deferred inflows related to pension expense, net of accumulated amortization. See Note 14 for additional information and disclosures related to the pension plan.

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%, less $2.50 per rental agreement, surcharge on applicable rental car contracts in Maricopa County.

- The hotel bed tax is a 1% 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.

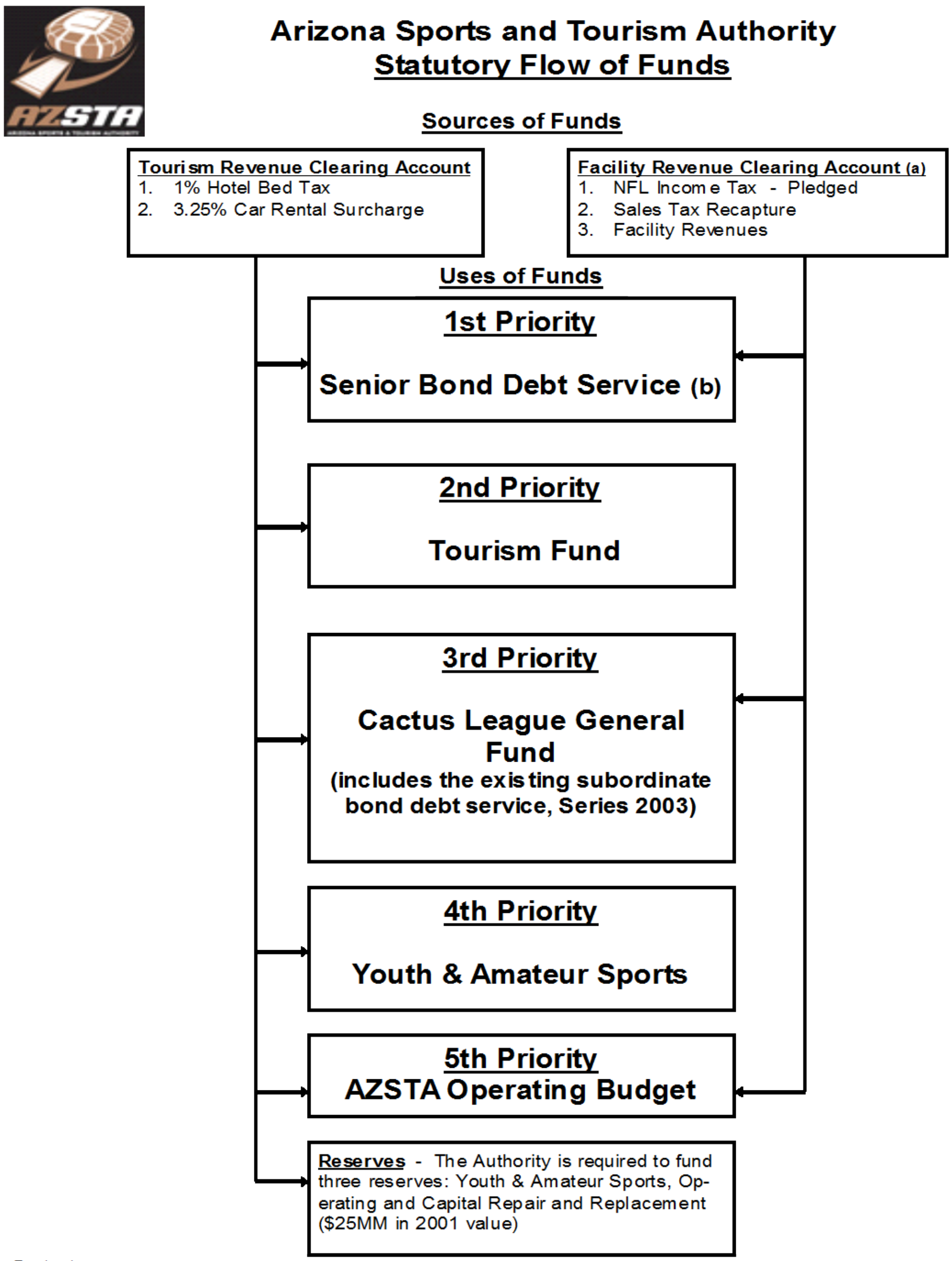
- Sales tax recapture revenues are generated by all taxable transactions at the Stadium which are remitted to the State of Arizona and the City of Glendale.

- Event revenues are deferred until completion of the event. Revenues come from a variety of activities including building rents, concessions and catering, novelties, exhibitor services and other miscellaneous revenues.

- Facility use rentals are amounts paid by the Arizona Cardinals and the Fiesta Bowl for their use of the Stadium. The Arizona Cardinals annual rent started at $250,000 per year in 2010 and grows by 2% per year thereafter. The Fiesta Bowl pays a ticket surcharge which started at $2.50 per ticket in 2010 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.



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 in 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 5% 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 received $1.0 million in its first 12 months increased 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 Global. 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, Arizona 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.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) in which the Authority participates. Additions to/deductions from ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. 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.

Subsequent Events

The Authority has evaluated subsequent events through October 28, 2016, the date which the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

Custodial credit risk is the risk that an entity will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party if the counterparty fails. The Authority maintains deposits with outside parties that are in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits of $250,000.

At June 30, 2016, the Authority's commercial money market accounts totaled $14,405,993. These accounts were not collateralized or insured.

Note 4 - Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2016:

Operating accounts receivable	$ 933,303
Hotel bed tax	2,323,690
Car rental surcharge	2,092,698
Sales tax recapture	4,767,994
	$ 10,117,685

Note 5 - Restricted Assets

Restricted assets consisted of the following at June 30, 2016:

Cash and cash equivalents	$ 51,976,258
Receivables	10,117,685
	$ 62,093,943

Note 6 - Capital Assets

Capital asset activity consisted of the following:

	July 1, 2015	Additions	Disposals	June 30, 2016
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	-	-	476,353,920
Stadium scoreboard	12,156,287	-	-	12,156,287
Stadium WiFi	9,749,032	-	-	9,749,032
Stadium FF&E	9,702,219	232,956	-	9,935,175
Stadium security	973,311	596,630	-	1,569,941
Stadium lighting	832,058	4,915	-	836,973
Computer equipment	139,911	-	-	139,911
Furniture and fixtures	133,563	-	-	133,563
Office equipment	75,616	-	(60,039)	15,577
Capitalized software	10,621	-	-	10,621
	510,126,538	834,501	(60,039)	510,901,000
Less accumulated depreciation:				
University of Phoenix Stadium	(127,044,926)	(12,754,663)	-	(139,799,589)
Stadium scoreboard	(2,062,657)	(1,736,612)	-	(3,799,269)
Stadium WiFi	(1,419,044)	(1,392,719)	-	(2,811,763)
Stadium FF&E	(7,943,485)	(313,172)	-	(8,256,657)
Stadium security	(81,109)	(123,666)	-	(204,775)
Stadium lighting	(69,338)	(83,697)	-	(153,035)
Computer equipment	(95,098)	(17,760)	-	(112,858)
Furniture and fixtures	(133,563)	-	-	(133,563)
Office equipment	(75,615)	-	60,039	(15,576)
Capitalized software	(10,621)	-	-	(10,621)
	(138,935,456)	(16,422,289)	60,039	(155,297,706)
	$ 373,964,247	$ (15,587,788)	$ -	$ 358,376,459

Note 7 - Facilities Use Fees Payable

In accordance with the Facilities Use Fee (FUF) Agreement dated August 15, 2005, as of January 1, 2012 and on an annual basis the Authority shall apply or distribute all FUF revenues and City of Glendale sales tax recapture revenues collected in excess of original Series 2005A Senior bond debt service scheduled for the fiscal year and an agreed upon maintenance and capital repair charge to the Arizona Cardinals (the Cardinals) for the reimbursement of costs previously incurred by the Cardinals for on-site improvements and for the purchase of the 165 acres of land on which the Stadium and its adjacent parking reside. The Authority has determined that a liability exists as of June 30, 2016, in the total amount of $1,996,116.

Note 8 - Cactus League Payable

The Authority, through its Cactus League promotional account, provides financing assistance to cities in Maricopa County which host Major League Baseball spring training teams. The Authority has committed to funding certain project costs subject to fund availability under government mandate A.R.S. Section 5-808.

In accordance with GASB Statement Number 33 *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority has determined these are voluntary, nonexchange transactions contingent upon eligibility criteria set forth in the agreements. Prior to fiscal year 2013, satisfaction of the eligibility criteria was estimated as the passage of time and obligations where therefore also recognized with the passage of time. During fiscal year 2013, management revised its estimate and determined that the eligibility criteria is met only when funds are readily available for payment and thus began recognizing the obligations only when those funds became readily available. Obligations recognized are classified as current when funds are available for immediate payment. Remaining obligations are classified as non-current.

Tempe

The Authority committed a maximum of $12 million, not to exceed 60% of the total project costs, to the City of Tempe in November 2004. The City of Tempe project was completed in February 2006. The Authority began recognizing accrued interest in fiscal year 2005 related to this commitment. In fiscal year 2013, due to the revised estimate described above, the Authority discontinued recognizing the accrued interest and will recognize interest when it is paid. The Authority began to repay its commitment to Tempe in fiscal year 2005 from available Cactus League Maricopa County Stadium (MCSD) and Tourism Revenue funds related to its car rental surcharge revenues. As of June 30, 2016, the Authority has a remaining commitment balance of $9,228,407. The commitment balance for which eligibility criteria has been met, $8,268,259, as of June 30, 2016, has been fully recognized on the statement of net position.

Scottsdale

The Authority committed a maximum of $20 million, approximately 67% of the expected total project costs, 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 recognizing accrued interest in fiscal year 2005 related to this commitment. In fiscal year 2013, due to the revised estimate described above, the Authority discontinued recognizing the accrued interest and will recognize interest when it is paid. The Authority began to repay its commitment to Scottsdale in fiscal year 2005 from available Cactus League Maricopa County Stadium (MCSD) and Tourism Revenue funds related to its car rental surcharge revenues. As of June 30, 2016, the Authority has a remaining commitment balance of $15,245,438. The commitment balance for which eligibility criteria has been met, $14,402,593, as of June 30, 2016, has been fully recognized on the statement of net position.

Goodyear

The Authority committed a maximum of $37,375,000, not to exceed 50% of the total project costs, to Goodyear in January 2007 for 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. The Authority began recognizing accrued interest in fiscal year 2009 related to this commitment. In fiscal year 2013, due to the revised estimate described above, the Authority discontinued recognizing the accrued interest and will recognize interest when it is paid. As of June 30, 2016, the Authority has a remaining commitment balance of $50,545,595 as of June 30, 2016. The commitment balance for which eligibility criteria has been met, $43,766,898 as of June 30, 2016, has been fully recognized on the statement of net position.

On April 7, 2008, the Authority's Board of Directors approved Resolution No. 2008-75 which provided an additional maximum of $32,458,333 commitment to the City of Goodyear if certain eligibility criteria are met. In accordance with GASB Statement Number 33 *Accounting and Financial Reporting for Nonexchange Transactions*, the primary eligibility criteria requires a renewal or extension of the Authority's current revenues or creation of a new funding source available for the Cactus League promotional account. Therefore, this agreement will not be recognized in the financial statements until such time as the eligibility criteria is satisfied.

Glendale

The Authority committed $60,045,318, not to exceed two-thirds of the total project costs, to Glendale in August 2007 for 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. The Authority began recognizing accrued interest in fiscal year 2009 related to this commitment. In fiscal year 2013, due to the revised estimate described above, the Authority discontinued recognizing the accrued interest and will recognize interest when it is paid. As of June 30, 2016, the Authority has a remaining commitment balance of $80,357,876. The commitment balance for which eligibility criteria has been met, $70,779,765, as of June 30, 2016, has been fully recognized on the statement of net position.

Phoenix

The Authority committed to a maximum of $1,023,466, not to exceed two-thirds of the total project costs, to the City of Phoenix in fiscal year 2013 for constructing a stadium and practice facility for the Milwaukee Brewers. The stadium and related practice facility are currently under construction. The Authority has not recognized the commitment or accrued interest as described above. As of June 30, 2016, the Authority has a remaining commitment balance of $1,107,877. The eligibility criteria has not been met, and, therefore, the commitment has not been recognized on the statement of net position.

Mesa

Effective in fiscal year 2014, the Authority committed to a maximum of $8,200,000, not to exceed two-thirds of the total project costs, to the City of Mesa to partially fund the Hohokam Stadium Renovation Project. The Authority has not recognized the commitment or accrued interest as described above. As of June 30, 2016, the Authority has a remaining commitment balance of $8,934,540. The eligibility criteria has not been met, and, therefore, the commitment has not been recognized on the statement of net position.

Peoria

The Authority committed to a maximum of $11,198,447, not to exceed two-thirds of the total project costs, to the City of Peoria in fiscal year 2014 to partially fund the renovation of a stadium and practice facility for the Seattle Mariners and San Diego Padres. As of June 30, 2016, the Authority has a remaining commitment balance of $12,695,481. The eligibility criteria has not been met, and, therefore, the commitment has not been recognized on the statement of net position.

The following obligations were recognized as of June 30, 2016:

Payable to City of Tempe, accruing interest at 4.397%, payment determined from available excess car rental surcharge revenues with final payment projected to be made in 2021.	$ 8,268,258
Payable to City of Scottsdale, accruing interest at 4.454%, payment determined from available excess car rental surcharge revenues with final payment projected to be made in 2021.	14,402,594
Payable to City of Goodyear, accruing interest at 4.773%, payments projected to begin in 2021 after repayment of City of Tempe and City of Scottsdale liabilities.	43,766,898
Payable to City of Glendale, accruing interest at 4.130%, payments projected to begin in 2021 after repayment of City of Tempe and City of Scottsdale liabilities.	70,779,765
	$ 137,217,515

Note 9 - Bonds Payable

Senior Bonds - Stadium Construction Related Bonds

Series 2007A

In January 2007, the Authority issued $90,000,000 in senior revenue refunding bonds Series 2007A for the purpose of the 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% to 5.00%. The amount defeased and outstanding of the bonds refunded in the 2007A issuance is $85,545,000.

Series 2012A

In June 2012, the Authority issued $176,740,000 in Series 2012A senior revenue refunding bonds for the purpose of advance refunding of Series 2008 and remaining series 2003A bonds. The Series 2012A bonds mature between 2016 and 2037 and carry a coupon rate of 4.95%. The amount defeased and outstanding of the refunded bonds as of June 30, 2016 is $167,185,000.

Subordinate Bonds – Cactus League Related Bonds

Series 2013

On April 3, 2013, the Series 2013 refunding bonds were issued in advance refunding of the Series 2003 subordinate tax revenue bonds. The bonds carry interest between 4% and 5% through 2016. This resulted in an economic gain which is being amortized over the life of the bonds and presented as a deferred outflow of resources in the statement of net position. A bond reserve in the amount of $12,485,000 was established with the Bank of New York Mellon using bond proceeds at the time of issuance. This amount has been reduced through debt payments as required per the bond indenture. The bond was fully paid off as of June 30, 2016.

A subordinate bond reserve is required under the terms of the indenture governing the subordinate bonds. This reserve was established prior to the refunding by the Authority for other debt service purposes in February 2008 in the amount of $3,240,000. Payments on other debt have been made from the reserve account in accordance with other debt agreements since its establishment. There are no additional funding requirements of the reserve. As of June 30, 2016, the balance of the reserve account is $1,249,292.

The Authority's bonds payable consisted of the following as of June 30, 2016:

Senior Revenue Refunding Bonds (Multipurpose Stadium Facility Project) Series 2007A, interest from 4.00% to 5.00%, payable semi-annually through July 2024.	$ 88,055,000
Senior Revenue Advance Refunding Bonds (Multipurpose Stadium Facility Project) Series 2012A, interest from 4.00% to 5.00%, payable semi-annually through July 2036.	173,980,000
Subordinate Tax Revenue Refunding Bonds Refunding Series 2013, interest from 4.00% to 5.00%, payable semi-annually through July 2016.	4,370,000
	266,405,000
Less current portion of bonds payable	(7,905,000)
	258,500,000
Plus unamortized premium	18,627,925
	$ 277,127,925

Debt service requirements subsequent to June 30, 2016 are as follows:

Year Ending June 30,	Principal Maturities	Interest	Total
2017	$ 7,905,000	$ 12,804,263	$ 20,709,263
2018	9,415,000	12,427,244	21,842,244
2019	10,560,000	11,970,000	22,530,000
2020	11,735,000	11,422,875	23,157,875
2021	12,355,000	10,834,000	23,189,000
2022-2026	73,415,000	44,308,888	117,723,888
2027-2031	94,910,000	23,912,750	118,822,750
2032-2036	41,060,000	4,672,750	45,732,750
2037	5,050,000	126,250	5,176,250
	$ 266,405,000	$ 132,479,020	$ 398,884,020

Per the existing bond covenants, the Authority is to maintain a minimum bond coverage ratio of 1.30 and 1.15, respectively, for the 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.

Note 10 - Arizona Cardinals Note Payable

On March 31, 2014, the Authority entered an agreement with the Cardinals to fund the installation of a new scoreboard at the Stadium during fiscal year 2015 at a cost of $8,152,500, plus 3.55% interest. In fiscal years in which revenues are at least 103.5% of the prior year revenues, payments of $1,164,643 will be made. In years in which less than 103.5% of the prior year revenues are recognized, Rojo Event Management revenues in excess of targeted qualified amounts ($750,000 per year as of and for the year ended June 30, 2016) as defined in the event management agreement with Rojo Event Management will be made in payment. The amount outstanding as of June 30, 2016, is $7,419,233, including accrued interest.

Note 11 - Noncurrent Liabilities

Liability activity was as follows for the year ended June 30, 2016:

	July 01, 2015	Additions	Reductions	June 30, 2016	Amounts Due within One Year
Cactus League payable	$ 141,256,089	$ -	$ (4,038,574)	$ 137,217,515	$ -
Bonds principal and premiums	293,812,786	-	(8,779,862)	285,032,924	7,905,000
Net pension liability	699,770	75,161	-	774,931	-
Arizona Cardinals note payable	8,514,069	-	(1,094,836)	7,419,233	1,164,643
Total	$ 444,282,714	$ 75,161	$ (13,913,272)	$ 430,444,603	$ 9,069,643

Note 12 - Sources of Pledged Revenues

The following are the revenue sources pledged relating to the senior bonds for the year ended June 30, 2016:

Hotel bed tax	$ 17,316,660
Rental car tax	14,763,492
NFL income tax	7,080,929
Sales tax recapture	11,012,006
Other stadium revenue	4,065,362
	$ 54,238,449

Several of the pledged revenues presented above vary from the amounts presented in the statement of revenues, expenses, and changes in net position 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 Maricopa County Stadium District's annual excess car rental surcharge revenues exclusively for the Authority's Cactus League promotional purposes. These funds, in turn, are used by the Authority in payment of the commitments to the cities as described in Note 8.

Note 13 - Commitments and Contingencies

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. Initially, this obligation was $4.0 million annually beginning in June 2001. This annual amount is increased by 5% per year thereafter. Expense related to the distribution to AZOT was $7,952,725 for the year ended June 30, 2016.

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. Per this agreement, Rojo collects all gross concession revenues on behalf of and for the Authority and, out of such gross revenues, remits the agreed upon gross revenue percentage to the Authority for events (other than Arizona Cardinals home games and the Fiesta Bowl).

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, per statute, 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 per twelve month period beginning in June 2001 and increasing by $100,000 annually thereafter. The Authority has $6,729,298 as of June 30, 2016, in cash balances allocated to youth and amateur sports.

Note 14 - Defined Benefit Plan

Plan Description

The Authority's employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension 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 is financial statements and required supplementary information. The report is available on its web site 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:

	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 equal 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% 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 survivor benefit is determined by the retirement benefit option chosen. 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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5% (11.35% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.5% (10.76% for retirement, 0.59% for health insurance premium benefit, and 0.12% for long-term disability) of the active members' annual covered payroll. The Authority's contributions to the pension plan for the year ended June 30, 2015, were $51,767. The Authority's contributions for the current and 2 preceding years for health and long-term disability benefits, all of which were equal to the required contributions, were as follows:

Year ended June 30:	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	$ 2,385	$ 610
2015	2,703	551
2014	2,558	1,013

Pension Liability

At June 30, 2016, the Authority reported a liability of $774,931 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using the update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2015. The Authority's proportion measures of June 30, 2015, was 0.004729%, which was the same as its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the Authority recognized pension expense for ASRS of $66,138. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,146	$ 40,607
Net difference between projected and actual investment earnings	-	24,835
Changes in proportion and differences between the Authority's contributions and prorportionate share of contributions	48,141	-
The Authority's contributions subsequent to the measurement date	51,767	-
Total	$ 121,054	$ 65,442

The $51,767 reported as deferred outflows of resources related to ASRS pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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:	Amortization of Deferred Outflows	Amortization of Deferred Inflows	Net Amortization of Pension Related Deferrals
2017	$ 42,176	$ 30,279	$ 11,897
2018	27,111	22,745	4,366
2019	-	6,209	(6,209)
2020	-	6,209	(6,209)
Total	$ 69,287	$ 65,442	$ 3,845

Actuarial Assumptions

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

Acturaial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2013.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% 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:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Equity	58%	3.94%
Fixed income	25%	0.93%
Real estate	10%	0.42%
Multi-asset class	5%	0.17%
Commodotieis	2%	0.08%
Total	100%	5.54%
Inflation		3.25%
Expected arithmetic nominal return		8.79%

Discount Rate

The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. 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 statue. 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 Authority's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Authority'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%) or 1 percentage point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability	$ 1,015,425	$ 774,937	$ 610,114

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report which is available at http://www.azasrs.gov.

Supplementary Information
June 30, 2016

AZSTA

ARIZONA SPORTS & TOURISM AUTHORITY

Schedule of the Authority’s Proportionate Share of the Net Pension Liability
June 30, 2016

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Authority's proprotion of the net pension liability	0.004975%	0.004729%
Authority's proportionate share of the net pension liability	$ 774,931	$ 699,770
Authority's covered-employee payroll	468,757	426,959
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.32%	163.90%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

Schedule of the Authority’s Pension Contributions
June 30, 2016

	Reporting Fiscal Year			
	2016	2015	2015	2013 through 2007*
Statutorily required contribution	$ 51,767	$ 49,901	$ 45,615	Information not Available
Authority's contributions in relation to the statutorily required contribution	51,767	49,901	45,615	
Authority's contribution deficiency (excess)	-	-	-	
Authority's covered-employee payroll	493,578	468,757	426,959	
Authority's contributions as a percentage of covered-employee payroll	10.49%	10.65%	10.68%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available