



JACKSON COUNTY SPORTS COMPLEX AUTHORITY

Annual Report 2009

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To the Honorable Jay Nixon

April 2010

Governor of the State of Missouri

The Annual Financial Report of the Jackson County Sports Complex Authority for the year ended December 31, 2009 is hereby submitted as required under the provisions of Section 64.950RSMO.

The Authority was created by authorization of the 73rd General Assembly of Missouri. The first members of the Authority were appointed on July 13, 1966. Since that date, 33 citizens of Jackson County have served as members of the Authority. The primary missions of the Authority are to implement Master plan projects, oversee major repair and maintenance projects, and manage funds in a fiscally responsible manner and to assure the Harry S. Truman Sports Complex maintains its stature as one of the finest sports facilities in the world.

As a political subdivision, the Authority does not possess the ability to levy taxes and therefore relies on rental income from both the Chiefs and the Royals, as well as annual appropriations and other financing mechanisms provided by Jackson County, Missouri, the city of Kansas City, Missouri and the State of Missouri.

The Kansas City Royals Baseball Corporation and the Kansas City Chiefs Football Club, Incorporated signed 25 year leases on January 24, 2006 with two five year renewal options. Jackson County residents approved a three-eighths-cent sales tax on April 4, 2006 to finance \$425 million in renovation projects at Kauffman and Arrowhead stadiums. The cost for transforming the stadiums into "like-new" stadiums is estimated to be half the cost of designing and building new stadiums for both teams. The estimated economic impact of keeping the Royals and Chiefs at the Truman Sports Complex for the next 23 years is nearly \$10 billion.

Renovation work on both stadiums will continue year round schedules. As of December 31, 2009 Kauffman stadium is complete and Arrowhead is approximately 75% complete. The Kansas City Chiefs training facility and administrative offices were completed in December 2008.

The Jackson County Sports Authority is pleased with the progress, the level of MBE/WBE participation, and the cooperation of all parties involved with these renovation projects.

Sincerely,

A handwritten signature in black ink, appearing to read "Beto Lopez". The signature is stylized and cursive.

J. Beto Lopez

Chairman

Mission Statement

To plan, construct, operate and maintain a sports stadium field house, indoor and outdoor recreational facilities center, playing fields, parking facilities and other suitable concessions within Jackson County, Missouri;

To negotiate and perform its obligations as landlord under lease agreements with the Kansas City Royals Baseball Corporation and the Kansas City Chiefs Football Club, Inc.;

To oversee the maintenance and operation of the Harry S. Truman Sports Complex in a fiscally responsible manner that will allow it to maintain its stature as a premier sports facility in the nation;

To administer funds received from the State of Missouri; Jackson County, Missouri; Kansas City, Missouri or any other source that are to be used for furtherance of its statutory duties;

To serve as an agent to Jackson County, Missouri under the terms of the Agency Agreement;

To develop a land use plan for potential development of the Sports Complex and to recommend to the County appropriate long-term leasing arrangements for the Sports Complex facilities;

To work with other political subdivisions, agencies and commissions for the furtherance of all types of sports, professional or amateur, commercial or private within Jackson County, Missouri.

Authority Commissioners

J. Beto Lopez, Chairman

Commissioner Lopez is a senior associate with ARO Real Estate Company. He has been involved in commercial real estate brokerage, finance and development for the past 12 years. Mr. Lopez is highly committed to the local community and participates in various civic endeavors. He is a graduate of Rockhurst University and received a master's degree from Baker University.

Gerry Winship, First Vice Chairman

Commissioner Winship is employed by Bank Liberty. He has been the owner of Winship Travel for 26 years. Prior to that he was with Farm & Home Savings for 20 years.

He has served as chairman of the Jackson County Elections Board and as commissioner of the Jackson County Sports Complex Authority. He is a graduate of Graceland College in Lamoni, Iowa. He has a Missouri and Kansas Commercial Real Estate License with Prudential Real Estate.

Jon Gray, Second Vice Chairman

After more than 20 years of serving as a circuit judge in the Sixteenth Judicial Circuit of Missouri, Jon R. Gray joined the Kansas City office of Shook, Hardy & Bacon as a partner in the General Litigation Division. He is licensed to practice before the Missouri Supreme Court, the U.S. District Court for the Western District of Missouri, and the U.S. Court of Appeals for the Eighth Circuit.

In August 2007, Judge Gray became chair of the Judicial Council of the National Bar Association. He is also active in The Missouri Bar, the Kansas City Metropolitan Bar Association and the Jackson County Bar Association. Judge Gray has served as a faculty member for the National Institute for Trial Advocacy in regional and national seminars since 1987 in addition to serving as faculty for the Kessler-Edison Program in Trial Techniques at Emory University School of Law and the Missouri Judicial College. His reviews and commentaries have appeared in legal and non-legal publications.

Judge Gray is a 1973 graduate of Grinnell College, where he majored in American Studies, and a 1976 graduate of the University of Missouri-Kansas City School of Law. He is a life member of the University of Missouri-Kansas City Alumni Association and the NAACP.

Authority Commissioners

Deron Cherry, Treasurer

Commissioner Cherry is Managing General Partner of United Beverage, an Anheiser Busch distributor. Mr. Cherry played for the Kansas City Chiefs in the free safety position and was inducted into the Chiefs Hall of Fame in 1996. Mr. Cherry attended Rutgers University.

Michael Smith, Secretary

Commissioner Smith is the owner and president of the Twin Lakes Insurance Agency. He has been in the insurance industry for 26 years; co-founding the Twin Lakes Insurance Agency in 1982. Mr. Smith earned the designation of Certified Insurance Counselor through the National Alliance for Insurance Education and Research. He is a life long resident of Lee's Summit, Missouri and actively involved in the community.

Authority General Information

The Jackson County Sports Authority is a five-member separate corporate body and political subdivision organized under §64.950RSMo. The Missouri General Assembly passed authorizing legislation in 1965 and the first Authority members were chosen in 1966.

Candidates are nominated by a majority vote of the Jackson County Legislature who then submit the approved panel of names to the governor of Missouri. The governor, with the advice and consent of the Missouri Senate, selects and appoints the commissioners to the Authority.

The commissioner-appointees must be registered voters and residents of the Jackson County. No more than three commissioners may belong to the same political party and a commissioner cannot be an elected or appointed official of a political subdivision. Each commissioner holds office for five years or for the unexpired term of his or her predecessor.

Authority Administrative Staff

Jim Rowland, Executive Director

Mr. Rowland joined the Authority staff as its Executive Director in January 2006 after serving the City of Kansas City as the 4th District Councilman for seven years. He was chairman of the City's Budget and Audit Committee responsible for the City's \$1.2 billion dollar budget. Mr. Rowland also received many awards for his environmental initiatives including: writing the city's current recycling plan, the green roof resolution and the city's LEED silver building ordinance. He continues to be very involved in the community and serves on a variety of boards. For 25 years Jim has volunteered as a competitive baseball coach. Mr. Rowland is a graduate of Rockhurst University.

Diane Brown, Office Manager

Mrs. Brown joined the Authority staff in April 1995. She has more than 20 years experience as an operations manager, administrative assistant and accounting supervisor for Sears, Roebuck and Company.

Renovation Progress Report

JCSCA Project Oversight

All approvals required by the Development Agreements for the renovations of Arrowhead Stadium and Kauffman Stadium have been approved by the JCSCA Board. The Jackson County Sports Complex Authority promotes transparency through the monthly reports to the Jackson County Executive and the Jackson County Legislature. All monthly reports and community outreach newsletters can be found on the JCSCA website at [http:// www.jcsc.org](http://www.jcsc.org).

The JCSCA has been in coordination with the Chiefs and Royals concerning what parking lots, roads and other common area items can be repaired or upgraded so that construction activities are minimized on the upgraded parking lots and roads. A majority of the areas have been upgraded; those remaining will be addressed during the 2010 and 2011 paving seasons.

Kauffman Stadium Disbursement Requests

The largest component of the disbursement requests were the construction costs for the improvements of Kauffman Stadium. Other areas included in the 2009 disbursement requests were: construction bonds, architectural and engineering design fees, insurance coverage, legal fees and Royals' representative services.

Kauffman Stadium Renovation	
<u><i>Expenses To Date Through December 2009</i></u>	
Design	\$21,695,835.40
Construction	\$235,974,571.92
Preparatory Expenses	\$866,570.76
Surveys / Testing	\$747,576.85
Fees & Insurance	\$6,840,667.97
Project Management	\$3,344,442.97
Others	\$302,224.23
Total	\$269,771,890.10

Renovation Progress Report

Arrowhead Stadium Disbursement Requests

The Chiefs are attempting to get as much work done as possible prior to the 2010 season. In addition to the construction activity which accounts for the largest portion of the request, the 2009 disbursement requests included: architectural and engineering design fees, insurance coverage and legal fees and Chiefs' representative services.

Arrowhead Stadium Renovation

Expenses To Date Through December 2009

Design	\$23,717,920.57
Construction	\$295,098,252.70
Preparatory Expenses	\$2,162,026.12
Surveys / Testing	\$3,284,665.08
Fees & Insurance	\$7,483,273.20
Project Management	\$3,630,423.48
Others	\$0.00

Total \$335,376,561.15

Renovation Progress Report

Arrowhead Stadium Update

Arrowhead Stadium hosted its final event in 2009 with the Chiefs home game against the Cleveland Browns on December 20th. Provisions were then made for the upcoming demolition and the Chiefs moved out of the Press Box and other areas to be demolished. Then contractors take over the entire stadium to complete the renovations prior to the 2010 Chiefs season. Items not used in the renovated stadium will be donated to Habitat for Humanity.

The first game played in the new stadium will be a 2010 preseason game. Chiefs Chairman Clark Hunt has asked the NFL to put the first regular season home game played at the renovated stadium on national TV. A series of events are planned to commemorate the New Arrowhead.

The Kansas City Chiefs Founder's Plaza will honor Lamar Hunt. Decorative bricks will be placed in the plaza which sits at the main entrance to the stadium and can be purchased for inscription with family names or personal message. Proceeds from the sale of these bricks will be given to the Kansas City Chiefs Children's Fund.

The Kansas City Chiefs' Training Facility which also houses the Executive and Administrative Offices as well as a player's lounge was completed in 2008. The innovative design is a pleasant addition to the Truman Sports Complex property.

Live webcams of the project are available at the following internet sites:

<http://www.p-tn.net/ProgressCAM/ARROWINO>

<http://www.p-tn.net/ProgressCAM/CHIEFSNO>

Renovation Progress Report

Kauffman Stadium Update

In keeping with the promise to the Jackson County voters, the \$270 million renovation of Kauffman Stadium, which began in late 2007, is now complete with no additional funds provided by the taxpayers.

In April of 2006, voters authorized the renovation of both Kauffman Stadium and Arrowhead Stadiums; Kauffman was 98% complete on Opening Day, April 10, 2009. The balance of the renovation was completed along with the Royals Hall of Fame, by the All-Star break 2009.

April 10, 2009 marked Opening Day for the New Kauffman Stadium. A ribbon cutting ceremony with representatives from Jackson County, the Jackson County Sports Complex Authority, the Kansas City Royals and Congressman Emmanuel Cleaver started off the day. By mid afternoon the players were on the field for a pregame ceremony. At the end of the day the Kansas City Royals lost to the New York Yankees 4-1, but 38,098 fans got to experience the New "K".

Renovation Progress Report

MBE/WBE Participation

Through the end of 2009, over \$105 million were paid to MBE and WBE firms for the Renovation of the Truman Sports Complex, meeting the goals and objectives of the Fair Share Agreement.

The Sports Authority supported innovative ways to help the sports teams increase their use of minorities and women in all of the trades. The levels of minority and women participation in the renovation project was tied to the ongoing community outreach efforts where information regarding upcoming bids was disseminated. The Contractors/Trades Task Force provides ongoing support on the workforce diversity goals set by the Fair Share Agreements with the assistance of a MBE/WBE Workforce Coordinator.

MBE/WBE goals are included in the project with each bid. Every effort is being made to reach the goals set by the mutually agreed upon Fair Share Agreement. Currently, utilization rates have exceeded other projects in Jackson County and throughout the metropolitan area.

The construction management teams on both stadium projects had success in reaching the combined MBE/WBE goals, while awarding contracts to the lowest, most responsible and responsive bidders. Both stadium projects and the Jackson County Sports Authority continue to support the MBE 22% goal and WBE goal of 8% participation.

Combined MBE/WBE Totals

Arrowhead	26.1%
Kauffman	32.4%
JCSCA	46.5%

To date, both stadium projects have provided contracts to over 182 local and area MBE/WBE contractors.

Renovation Progress Report

Workforce Participation

The MBE/WBE Workforce Coordinator continues to be updated monthly on workforce hours on the Arrowhead Stadium project. Tracking the minority participation will continue until completion into late 2010. This process is used to compare summary data to the reported workforce hours and M/WBE utilization.

The Sports Authority MBE/WBE e-newsletter continues to highlight Minority and Women owned companies in each quarterly edition. The e-newsletters can be found on-line at www.jcsca.org. The Sports Authority team is committed to providing transparency through the monthly reports. Additionally, community outreach continues to be an on-going method used in providing information to MBE/WBE contractors, along with the e-newsletter.

Renovation Progress Report

Kauffman Photographs









Renovation Progress Report

Arrowhead Photographs













JACKSON COUNTY SPORTS COMPLEX AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To The Commissioners
Jackson County Sports Complex Authority
Kansas City, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jackson County Sports Complex Authority ("the Authority") as of and for the year ended December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities and each major fund as of December 31, 2009, and the respective changes in financial position – cash basis of the Authority for the year then ended in conformity with the basis of accounting described in Note 1.

Management's Discussion and Analysis on pages 3 to 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Jackson County Sports Complex Authority. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cudney, Seord, McEneaney & Mullane LLC

March 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Jackson County Sports Complex Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's operations and financial position during the fiscal year ended December 31, 2009. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, notes to the financial statements and supplementary information.

Overview of the Cash Basis Financial Statements

This discussion and analysis is provided as an introduction to the basic financial statements which are prepared using the cash basis of accounting. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are a broad overview of the Authority's finances.

The *statement of net assets* presents the Authority's assets and net assets. Net assets are an important measure of the Authority's overall financial health. The increases and decreases in net assets can be monitored to determine whether the Authority's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the year.

Both of the government-wide financial statements report functions of the Authority that are principally supported by intergovernmental revenues (governmental activities). The governmental activities for the Authority include facility leasing and management, and improvements and repairs to the Jackson County Sports Complex.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure compliance with finance-related legal requirements for its governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains supplementary information on repairs, maintenance and administrative expenditures.

Government-wide Financial Analysis

Net Assets – Cash Basis

	2009	2008
Cash	\$ 392,993	\$ 294,008
Investments	<u>2,249,333</u>	<u>2,657,577</u>
Total assets	<u>\$2,642,326</u>	<u>\$2,951,585</u>
 Net assets:		
Restricted for improvements	\$1,814,358	\$2,229,003
Unrestricted	<u>827,968</u>	<u>722,582</u>
Total net assets	<u>\$2,642,326</u>	<u>\$2,951,585</u>

The Authority's net assets have decreased for the most recent fiscal year as funds have been disbursed for common area projects.

Changes in Net Assets – Cash Basis

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues –		
Charges for services	\$ 3,110,216	\$ 3,402,839
Operating grants and contributions	3,846,295	4,264,531
Capital grants and contributions	2,666,960	2,907,225
General revenues –		
Investment earnings	<u>2,254</u>	<u>36,162</u>
Total revenues	<u>9,625,725</u>	<u>10,610,757</u>
Expenses:		
Facility leasing and management	7,149,848	6,792,289
Improvements and repairs	<u>2,785,136</u>	<u>3,106,520</u>
Total expenses	<u>9,934,984</u>	<u>9,898,809</u>
Increase (decrease) in net assets	(309,259)	711,948
Net assets, beginning	<u>2,951,585</u>	<u>2,239,637</u>
Net assets, ending	<u>\$ 2,642,326</u>	<u>\$ 2,951,585</u>

Charges for services, which are the rents received each year from the stadium tenants, the Kansas City Chiefs and Royals, include a base amount and a percentage component which is based on tenant revenue. Operating grants and contributions consist of annual amounts received from the State of Missouri and Jackson County, Missouri (the County). The annual funding from Kansas City, together with amounts paid directly from Jackson County Leasehold Revenue Bond proceeds are included in capital grants and contributions. The amount received from the Revenue Bonds has varied based on the nature and timing of projects. As of December 31, 2009, funds provided by the Revenue Bonds have been fully expended.

Management fees paid to the Chiefs and Royals are the largest portion of facility leasing and management expense. These fees amounted to 94% in 2009 and 2008. Costs associated with improvements and repairs will fluctuate based on need and the status and timing of projects.

Financial Analysis of the Authority's Funds

Unrestricted Fund – Activities in this fund include receipt and disbursement of funds for the continuing work of the Authority.

Sports Complex and Convention Fund – The changes in the fund balances are due to the timing of planned repairs and maintenance expenditures and distributions to Trusteed RMMO Funds.

Improvements Fund – This fund accounted for the projects which are funded from the proceeds of the County's Series 2002 Leasehold Revenue Bonds.

Economic Factors

On January 24, 2006 the Authority, along with the County, entered into lease amendments with the Chiefs and Royals. With the successful 3/8 cent sales tax election held April 4, 2006, together with intergovernmental funding, sufficient revenue will be available to renovate both stadiums as well as provide for ongoing repairs and maintenance over the 25 year lease term.

Requests for Information

This financial report is designed to provide the reader a general overview of the Authority's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Jim Rowland, Executive Director, Arrowhead Stadium, 8501 Stadium Drive, Kansas City, Missouri 64129.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF NET ASSETS - CASH BASIS

December 31, 2009

ASSETS:

Cash	\$ 392,993
Investments (see Note 2)	<u>2,249,333</u>
Total assets	<u><u>\$ 2,642,326</u></u>

NET ASSETS:

Restricted for improvements	\$ 1,814,358
Unrestricted	<u>827,968</u>
Total net assets	<u><u>\$ 2,642,326</u></u>

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF ACTIVITIES - CASH BASIS

Year ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Facility leasing and management	\$ 7,149,848	\$ 3,110,216	\$ 3,846,295	\$ -	\$ (193,337)
Improvements and repairs	<u>2,785,136</u>	<u>-</u>	<u>-</u>	<u>2,666,960</u>	<u>(118,176)</u>
Total governmental activities	<u>\$ 9,934,984</u>	<u>\$ 3,110,216</u>	<u>\$ 3,846,295</u>	<u>\$ 2,666,960</u>	<u>(311,513)</u>
General revenues:					
Investment earnings					<u>2,254</u>
Changes in net assets					(309,259)
Net assets, beginning					<u>2,951,585</u>
Net assets, ending					<u>\$ 2,642,326</u>

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF GOVERNMENTAL FUND ASSETS - CASH BASIS

December 31, 2009

UNRESTRICTED FUND:

Cash	\$ 392,993
Investments (see Note 2)	<u>434,975</u>
	<u>\$ 827,968</u>

SPORTS COMPLEX AND CONVENTION FUND:

Investments (see Note 2)	<u>\$ 1,814,358</u>
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Total	<u>\$ 2,642,326</u>
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See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF CHANGES IN GOVERNMENTAL FUND ASSETS - CASH BASIS

Year ended December 31, 2009

	<u>Unrestricted Fund</u>	<u>Sports Complex and Convention Fund</u>	<u>Improvements Fund</u>	<u>Total</u>
REVENUES AND OTHER ADDITIONS:				
Basic rent:				
Kansas City Chiefs Football Club, Inc.	\$ -	\$ 450,000	\$ -	\$ 450,000
Kansas City Royals Baseball Corporation	-	450,000	-	450,000
Percentage rental:				
Kansas City Chiefs Football Club, Inc.	-	1,256,764	-	1,256,764
Kansas City Royals Baseball Corporation	-	953,452	-	953,452
Government funds (Note 4):				
State of Missouri	-	3,000,000	-	3,000,000
Jackson County	-	315,845	-	315,845
City of Kansas City	-	2,000,000	-	2,000,000
Payments directly from Jackson County Leasehold				
Revenue Bond Proceeds (Note 4)	-	-	640,160	640,160
Received from RMMO Fund for Administration	530,450	-	-	530,450
Other income	26,800	-	-	26,800
Investment income	-	2,254	-	2,254
Total revenues and other additions	<u>557,250</u>	<u>8,428,315</u>	<u>640,160</u>	<u>9,625,725</u>
EXPENDITURES:				
Complex repairs and maintenance (Note 3)	-	416,900	640,160	1,057,060
Management fee - Kansas City Chiefs	-	3,311,530	-	3,311,530
Management fee - Kansas City Royals	-	3,386,454	-	3,386,454
Required deposits directly to the Chiefs and Royals Trusteed Funds (Note 3)	-	1,728,076	-	1,728,076
Administrative expenses	<u>451,864</u>	-	-	<u>451,864</u>
Total expenditures	<u>451,864</u>	<u>8,842,960</u>	<u>640,160</u>	<u>9,934,984</u>
Net increase (decrease)	105,386	(414,645)	-	(309,259)
Balance, beginning of year	<u>722,582</u>	<u>2,229,003</u>	-	<u>2,951,585</u>
Balance, end of year	<u>\$ 827,968</u>	<u>\$ 1,814,358</u>	<u>\$ -</u>	<u>\$ 2,642,326</u>

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year ending December 31, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Jackson County Sports Complex Authority (the "Authority") is a body corporate and politic, and a political subdivision of the State of Missouri. The Authority was created for the construction, operating and financing of recreational facilities. The Authority currently leases the Truman Sports Complex (the "Sports Complex") to the Kansas City Chiefs Football Club, Inc. ("Chiefs") and the Kansas City Royals Baseball Corporation ("Royals") under long-term leases (see Note 3). The Sports Complex is owned by Jackson County, Missouri.

The funds and related accounts of the Authority are maintained by fiscal agents who administer all investment transactions and act as paying agents for capital expenditures from Jackson County, Missouri bond issuances.

Cash Basis of Accounting

The Authority's policy is to prepare its basic financial statements on the cash basis. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, no accruals for interest income, rental income or liabilities of the Authority have been reflected in the accompanying basic financial statements.

Basis of Presentation

The Authority's basic financial statements include both government-wide and fund financial statements.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Authority, as a whole.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

The Authority's net assets are reported as either restricted or unrestricted net assets. The Authority's restricted net assets consist of funds restricted for specific purposes under provisions of the lease amendments.

Fund Financial Statements – The fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

The major governmental funds of the Authority are as follows:

Unrestricted Fund – Activities in this fund include the funding and disbursement of funds for continuing work of the Authority.

Sports Complex and Convention Fund – In accordance with the Agency Agreement between the County and the Authority, the Sports Complex and Convention Fund was established in November of 1990. This Fund is to be used exclusively for the purpose of developing, maintaining and operating sports facilities within the County.

Monies accounted for in this Fund were obtained from the City of Kansas City, Missouri (the "City"), the County and the State of Missouri (the "State") through a tax levy and matching program. The contribution from the City and the State is subject to annual appropriation. The State's contribution is also subject to the County's provision of equal matching funds. The contribution from the County has been generated from the County's park levy of \$0.08 per \$100 assessed valuation. Beginning in 2007, rents collected from the tenants are also included in this fund.

Improvements Fund – Activities in this fund represent qualified Master Plan and repair and maintenance expenditures that have been paid by a third-party financial institution trustee, to a third-party vendor or as reimbursement to the Authority from the proceeds of the County's Series 2002 Leasehold Revenue Bonds (see Note 4).

2. **DEPOSITS AND INVESTMENTS**

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

Investments

As of December 31, 2009, the Authority's investments were held in a single financial institution's money market mutual fund, where the underlying investments were either U.S. Government or agency securities. Such investments are carried at cost which approximates fair value.

Investment Policies

The Authority deposits and invests all monies as allowed by state statute and in accordance with the Authority's by-laws. State statutes allow the Authority to deposit in bank deposits or government securities. Similar to the state statutes, the by-laws allow the Authority to invest in direct obligations of the United States of America.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the ratings as of year end for each investment:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Rating</u>	<u>% of Total</u>
UMB Scout Federal Money Market Fund	<u>\$2,249,333</u>	AAA	100%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, the Authority follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Authority's investments are held by the Authority's agent in the Authority's name.

At December 31, 2009, the funds held at one depository institution exceeded federally insured limits by \$145,077.

Interest Rate Risk

The Authority's investment policies do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To minimize the risk of loss, the Authority matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. The Authority has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of December 31, 2009, all of the Authority's investments had maturities of less than one year.

Concentration of Credit Risk

The Authority's investment policy does not address the amounts that can be invested with any one issuer. Investments that represent more than 5% of the Authority's investments are listed above under Credit Risk.

3. LEASES AND MANAGEMENT CONTRACTS

On January 19, 1990, the Authority entered into leases and management contracts through January 31, 2015 with the Chiefs and the Royals. Both lease agreements call for annual basic rents from both the Chiefs and Royals of \$450,000 and percentage rentals based upon gross receipts, net of taxes, in excess of \$7,500,000, and calculated using a sliding scale from 5% down to 2% as gross receipts increase.

On January 24, 2006, and with the successful passage of a 3/8 cent sales tax election on April 4, 2006, the Authority, along with Jackson County, entered into lease amendments with the Chiefs and Royals to extend the original leases to January 31, 2031.

The new lease agreements call for the establishment of a separate Repair, Maintenance, Management and Operations Fund (RMMO Fund) for the teams with the Chiefs and Royals assuming responsibility and risk for the long-term repair, maintenance, management, and operations of their respective stadiums. The Authority receives an annual allocation from these funds for administrative expenses and to provide for the ongoing maintenance of Sports Complex Common Areas.

The management contracts provide for annual management fees (RMMO fees) to be paid to the Chiefs and Royals. The management fees increase commensurate with the Consumer Price Index, not to exceed 4.75% in any given year for each year during the remainder of the contracts. During the year ended December 31, 2009, the Authority paid management fees as follows:

Chiefs	\$3,311,530
Royals	<u>3,386,454</u>
	<u>\$6,697,984</u>

4. GOVERNMENTAL FUNDING

The Authority has historically received revenues, subject to annual appropriation, from the City, County and State to fund future expenditures in relation to the leases and management contracts. The annual commitments have been \$2,000,000 from the City; not less than \$3,500,000 from the County, generated from the County's park levy of \$0.08 per \$100 assessed valuation (however, see below); and up to \$3,000,000 from the State. These funds are deposited directly to the teams trusteed funds to be allocated as directed by the indenture documents and are accounted for in the Sports Complex and Convention Fund.

In September 2002, the County issued \$9,246,289 of Leasehold Revenue Bonds (Truman Sports Complex/County Parks Project Additions) Series 2002, in part to fund improvements and repairs to the Sports Complex, on parity with a 1998 bond issue for the same purpose (collectively, the "Bonds"). The proceeds of the 2002 bond issue are held by a third-party financial institution until such time as qualified expenses are incurred. When the Authority incurs such qualified expenses, the Authority submits certified invoices to the Trustee, who either directly pays the third-party vendor or reimburses the Authority for the expense which was paid. In 2009, such qualified expenditures amounted to \$640,160. As of December 31, 2009, this fund was fully expended.

The source of funds for appropriations from the County to pay debt service on the Bonds includes all legally available funds of the County. The County has historically given the Authority \$3.5 million annually, however, starting in 1999 and through the life of the Bonds, the County is expected to use a portion of the \$3.5 million annually, subject to annual appropriation, for debt service on and eventual retirement of the Bonds.

5. BENEFIT PLANS

The employees of the Authority are eligible to participate in the County's Revised Pension Plan (the "Plan"), a defined-benefit pension plan which provides for retirement and disability benefits for eligible employees of the County and affiliated political subdivisions. The benefit provisions are provided under the authority of Revised Missouri Statute Section 50.337, where the County, as administrator of this cost sharing multiple-employer plan, has agreed to voluntarily contribute such amounts as are necessary to provide assets sufficient to meet benefits to be paid to Plan members. Other political subdivisions, including the Authority, make contributions to the Plan. The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates, where the method of valuation is the entry age normal cost method. The Authority contributed \$14,556 to the Plan in 2009.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Jackson County Courthouse, Finance Department, 415 E. 12th St., Kansas City, MO 64106, or by calling (816) 881-3851.

6. LEGAL MATTER

Subsequent to year end, the Missouri Department of Revenue notified the Authority that it was making a claim against the Authority in the approximate amount of \$398,000 for unpaid sales tax on purchases of electricity by the Authority and used by the Kansas City Chiefs and the Kansas City Royals. The Authority denies the claim and is contesting the case vigorously. Accordingly, no amounts have been recorded in the financial statements.

SUPPLEMENTARY INFORMATION

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

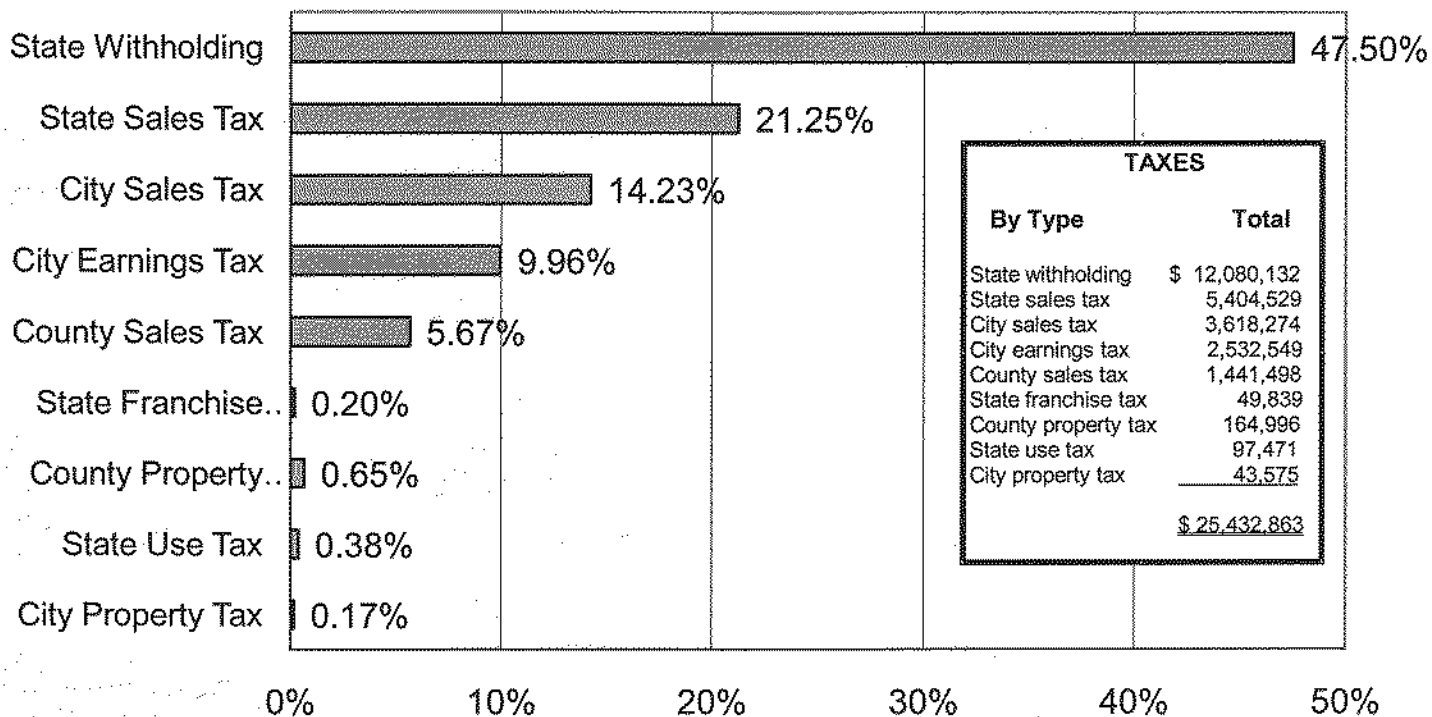
SCHEDULE OF MASTER PLAN, REPAIRS AND MAINTENANCE AND
ADMINISTRATIVE EXPENDITURES - CASH BASIS

Year ended December 31, 2009

	<u>Unrestricted Fund</u>	<u>Sports Complex and Convention Fund</u>	<u>Total</u>
MASTER PLAN, REPAIRS AND MAINTENANCE:			
Sports Complex	\$ -	\$ 416,900	\$ 416,900
	<u>\$ -</u>	<u>\$ 416,900</u>	<u>\$ 416,900</u>
ADMINISTRATIVE EXPENDITURES:			
Salaries	\$ 161,741	\$ -	\$ 161,741
Legal	127,939	-	127,939
Lobbying services	47,567	-	47,567
Insurance	31,802	-	31,802
Professional services	14,566	-	14,566
Statutory compensation	14,142	-	14,142
Contractual services	15,303	-	15,303
Payroll taxes	15,182	-	15,182
Business travel	3,373	-	3,373
Stationery and supplies	396	-	396
Telephone	2,977	-	2,977
Maintenance and utilities	2,320	-	2,320
Pension	14,556	-	14,556
	<u>\$ 451,864</u>	<u>\$ -</u>	<u>\$ 451,864</u>

Direct Taxes Paid by Teams

Taxes Paid by Type
(\$25,432,863)



By Jurisdiction

(\$25,432,863)

