GUST ROSENFELD
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Mark L. Collins
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November 14, 2014

Honorable Andy Biggs
PRESIDENT OF THE ARIZONA SENATE
1700 W. Washington, Room 205
Phoenix, AZ 85007

Honorable Andy Tobin
SPEAKER OF THE ARIZONA HOUSE OF REPRESENTATIVES
1700 W. Washington, Room 205
Phoenix, AZ 85007

Re: Annual Report of the Rio Nuevo Multipurpose Facilities District ("District")

Dear Messrs. Biggs and Tobin:

I have enclosed a copy of the District's Annual Report. If you have any questions, please feel free to contact either Chairman Fletcher McCusker (One E. Toole, Tucson, AZ 85705 / 520-400-9934) or me.

Sincerely,

Mark L. Collins
For the Firm

MC2:mes
Enclosure
c: Mr. Ken Bennett
Arizona Secretary of State

661224

Rio Nuevo
Tax Incentive Financing District
Annual Report
November 2014

BACKGROUND

Rio Nuevo is a Tax Incremental Financing District ("District") formed in 1999 when the voters of the City of Tucson ("City") and South Tucson approved Proposition 400. This allowed the District to receive a portion of the State's sales tax proceeds from Tucson's Broadway Boulevard corridor for 25 years and dedicate those funds to downtown redevelopment. A number of downtowns were responding to the demand for urban living, entertainment, cultural events and transit, including Phoenix, San Diego, Austin and Portland.

In 2009, after several freedom of information requests, an investigative reporter for the Arizona Daily Star broke a story illustrating that, over the prior ten years, the City-controlled District had spent $230 million with "virtually nothing to show for it" and no accountability for the tax dollars.

The State legislature responded to this use of State tax dollars by seizing control of the District by creating a new board appointed by the Speaker of the House, the President of the Senate and the Governor. The legislature also "froze" all projects until the District could demonstrate it was transparent, accountable, could track state funds and was independent from the city.

The District collects about $11 million a year in tax receipts; unfortunately, over half of this money goes to pay off the debts created by the prior Board. With the remaining money, the current Board has developed a good relationship with the legislature, the county and the city and has focused on small, but meaningful, projects that improve the downtown Tucson area. All of the District's expenses are easy to track now; every check is posted to the website, every project budget and budget tracker is made public in real-time and available at www.rionuevo.org. In the last legislative session, SB 1315 was passed unanimously by both the Senate and the House and is designed to allow the District to fund a variety of projects designed to enhance downtown Tucson. That legislation also requires the Board to submit an annual report. Specifically A.R.S. §48-4203 requires the Board to:

> Report to the legislature each year regarding the activities, operations, revenues and expenditures of the district for the immediately preceding fiscal year. The board shall submit the annual report to the president of the senate and the speaker of the House of Representatives and provide a copy of the report to the secretary of state. At the discretion of the chairpersons of the senate finance committee and the House of Representatives ways and means committee, or their successor committees, the committees may hold separate or joint hearings to consider the annual report prepared by the district.

The first project launched by the current Board was the renovation of the aging, nearly obsolete Tucson Convention Center arena, a $7.8 million project that will be completed in December 2014. The current Board also helped launch a new Marriott Hotel downtown by helping build the parking garage component and is now working on vacant lands west of the TCC that the district owns.

The District today is considered by many to be a model TIF, accountable and fully transparent.

REVENUE AND EXPENSE

The District retains Beach, Fleishman PC to annually audit the District, a copy of which is attached to this report. The District received a clean audit, with no discrepancies and no material adjustments. Revenue for the fiscal year that ended June 30, 2014 was $10.5 million, with $6.7 million in expenses. The substantial majority of the District's expenses, $4.9 million, still goes to retire debt placed on the District by the City-controlled Board.

District administrative expense was $857,000, exclusive of approximately $883,000 of depreciation expense for District owned property.

Of the $857,000 administrative expense, about $650,000 annually is spent on attorneys and auditors maintaining compliance with the various state requirements of a tax levying district, including procurement law, auditing and accounting, open meetings and corporate counsel. Last year, Employee salaries and benefits were approximately $89,000.

The all-volunteer Board commits significant time to the District's business, overseeing projects, representing the District with the other government jurisdictions working on downtown development and interfacing with the public, executive and legislative branches of state government. Consequently, staff salaries should remain low.

Currently, the District has approximately $31 million of cash on hand; $28.5 in bank accounts and approximately $2.5 million in remaining bond proceeds.

CURRENT PROJECTS

Renovation of the Tucson Convention Center Arena - $7.8 million

The District remodel will be complete by the end of December 2014. The project includes all new seats, new paint, new bathrooms, new concessions, a new lobby and entrance, new sound, new lights and new signage. With a new food menu, new management and state of the art facilities, the arena has already seen a response from concert routers and other show events that were avoiding the arena due to its condition. The Beach Boys will celebrate the new arena with a concert on January 3, 2015.

Marriott AC Hotel - $4.2 million

Partnering with private developers and Marriott, Rio Nuevo has committed to own a new downtown parking garage that facilitated the financing and completion of a new AC Hotel at 5th Street and Broadway in downtown Tucson. The AC Hotel is an urban brand, made popular in Europe and recently purchased by Marriott. The hotel will be built on top of the Rio Nuevo owned garage.

This is the first Marriott brand launched in the United States in fifteen years and Tucson was one of the first cities selected, including New Orleans, Miami, Chicago and New York.

The Arena Lot - No Cost to the District

As part of the settlement of litigation between the District and the City regarding the City's mismanagement of funds, the City deeded several parcels of land to the District and agreed to repay the District over $13 million in cash. The "Arena Lot" is so named because it was the 8.5 acres where the City intended to build the Tortoise Arena, a project long abandoned by the prior Board.

The District invited private sector developers to acquire the land and submit a mixed used proposal that would introduce retail, hotel, housing, office and parking on the former arena site. Two bidders offered the District over $5 million in cash for the property and also committed to $100 million private developments that would create a new western gateway to downtown. The District is currently finalizing the development agreement for this parcel and may contribute some funds to infrastructure improvements, site preparation and watershed, but the private sector will invest over $100 million in a City Scape type project. These public/private partnerships have been the stated mission of the current Board. Rather than using 100% government dollars, why not leverage tax dollars with private money? This TIF model was utilized very successfully by San Diego where, for every one dollar the TIF invested, the private sector invested six dollars.

The Westside - $3-5 million

Another parcel of land deeded to the District by the City as part of the litigation settlement was about 28 acres of land west of the freeway at the base of A Mountain. This was the original Rio Nuevo site but remains vacant and dormant as the City-controlled District ran out of funds.

The current District Board is working with the neighborhoods, tribal government, the county and the City to develop a tax producing development on this vacant land. Because this property is a former landfill, the District is currently investigating the status of the property, depth of the landfill and methane produced by the debris.

Pima County is contemplating building a regional visitor center built on property adjacent to the northern boundary of the District owned land, which could attract hundreds of thousands of visitors to this area which lies along the Santa Cruz River and is considered the birthplace of Tucson.

OPENNESS AND TRANSPARENCY

The days of secret meetings and funds committed without a public process are long gone. All of the current Board meetings are open to the public and now transcribed verbatim, so there are no doubts regarding who said what and where the money goes. All District projects and all District checks are posted in real time to the website. No other state funded agency operates with more transparency. Project budgets, contractor agreements and tracking forms are also published in real time.

The current Board leadership and membership is committed to maximizing the remaining TIF funds and finishing the Rio Nuevo District promise of 1999.

RIO NUEVO
MULTIPURPOSE FACILITIES DISTRICT

YEAR ENDED JUNE 30, 2014

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

YEAR ENDED JUNE 30, 2014

CONTENTS

BEACHFLEISCHMAN

Independent Auditors' Report

Governing Board and Management
Rio Nuevo Multipurpose Facilities District
Tucson, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Rio Nuevo Multipurpose Facilities District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rio Nuevo Multipurpose Facilities District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

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Change in Accounting Principle
As discussed in the notes to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matter
Required Supplementary Information
U.S. generally accepted auditing standards require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis (MD&A) that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of Rio Nuevo Multipurpose Facilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Nuevo Multipurpose Facilities District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
October 17, 2014

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental activities
Assets:	
Cash and cash equivalents (note 2)	$ 11,170,575
Pooled cash and investments with City of Tucson (note 2)	2,754,582
Cash and investments with fiscal agent, restricted (note 2)	17,342,462
Taxes receivable	2,672,266
Other receivables	45,168
Other current assets	57,355
Due from City of Tucson (note 3)	13,581,720
Long-term Fox note receivable, net (note 10)	2,900,000
Land held for sale (note 4)	973,983
Capital assets, not depreciated (note 5)	11,277,224
Capital assets, depreciated, net (note 5)	25,154,961
Total assets	87,930,296
Liabilities:	
Accounts payable	1,433,831
Accrued expenses	29,512
Liabilities payable from restricted assets	6,897,967
Noncurrent liabilities:	
Due within one year (note 6)	4,830,000
Due in more than one year (note 6)	72,611,046
Total liabilities	85,802,356
Commitments and contingencies	
Net position:	
Net investment in capital assets	33,177,554
Restricted for debt service	10,253,983
Unrestricted	(41,303,597)
Total net position	$ 2,127,940

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Governmental activities
Expenses:	
Downtown development:	
Advertising and promotions	$ 61,301
Depreciation	883,404
Insurance	54,091
Other	24,691
Professional and consulting	635,558
Salaries and wages	80,843
Interest	4,947,678
Total program expenses	6,687,566
Program revenues:	
Charges for services	1,376,478
Net program expense	5,311,088
General revenues:	
Sales taxes	9,116,855
Investment earnings	54,216
Total general revenues	9,171,071
Change in net position	3,859,983
Net position, beginning of year, as restated	(1,732,043)
Net position, end of year	$ 2,127,940

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

ASSETS

	General	Series 2008 revenue bonds	Series 2009 COPs	Total governmental funds
Assets:				
Cash and cash equivalents	$ 11,170,575	$ -	$ -	$ 11,170,575
Pooled cash and investments with City of Tucson	-	2,754,582	-	2,754,582
Cash and investments with fiscal agent, restricted	17,151,950	-	190,512	17,342,462
Taxes receivable	2,672,266	-	-	2,672,266
Other receivables	45,168	-	-	45,168
Other current assets	46,419	10,936	-	57,355
Due from City of Tucson	13,581,720	-	-	13,581,720
Fox note receivable, net	2,900,000	-	-	2,900,000
Total assets	$ 47,568,098	$ 2,765,518	$ 190,512	$ 50,524,128

LIABILITIES AND FUND BALANCES

	General	Series 2008 revenue bonds	Series 2009 COPs	Total governmental funds
Liabilities:				
Accounts payable	$ 337,529	$ 1,096,302	$ -	$ 1,433,831
Accrued expenses	29,512	-	-	29,512
Liabilities payable from restricted assets	6,897,967	-	-	6,897,967
Total liabilities	7,265,008	1,096,302	-	8,361,310
Deferred inflows of resources:				
Unavailable revenue - property taxes	809,275	-	-	809,275
Unavailable revenue - due from City of Tucson	13,581,720	-	-	13,581,720
Unavailable revenue - Fox note receivable	2,900,000	-	-	2,900,000
Total deferred inflows of resources	17,290,995	-	-	17,290,995
Commitments and contingencies				
Fund balances:				
Nonspendable	46,419	-	-	46,419
Restricted	10,253,983	-	-	10,253,983
Committed	9,646,860	1,669,216	190,512	11,506,588
Unassigned	3,064,833	-	-	3,064,833
Total fund balances	23,012,095	1,669,216	190,512	24,871,823
Total liabilities, deferred inflows and fund balances	$ 47,568,098	$ 2,765,518	$ 190,512	$ 50,524,128

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances - governmental funds	$ 24,871,823
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,432,185
Land held for sale in governmental activities is not a financial resource and, therefore, is not reported in the funds.	973,983
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Sales taxes	809,275
Due from City of Tucson	13,581,720
Long-term Fox note receivable	2,900,000
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Revenue bonds	(66,529,553)
Certificates of participation	(10,911,493)
Net position of governmental activities	$ 2,127,940

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Series 2008 revenue bonds	Series 2009 COPs	Total governmental funds
Revenues:				
Sales taxes	$ 8,307,580	$ -	$ -	$ 8,307,580
Charges for services	1,376,478	-	-	1,376,478
Investment earnings	9,679	44,511	26	54,216
City of Tucson	82,000	-	-	82,000
Total revenues	9,775,737	44,511	26	9,820,274
Expenditures:				
Downtown development	856,484	-	250,000	1,106,484
Capital outlay	399,562	2,617,160	-	3,016,722
Debt service:				
Principal	4,655,000	-	-	4,655,000
Interest	4,856,261	-	-	4,856,261
Total expenditures	10,767,307	2,617,160	250,000	13,634,467
Net change in fund balances	(991,570)	(2,572,649)	(249,974)	(3,814,193)
Fund balances, beginning of year	24,003,665	4,241,865	440,486	28,686,016
Fund balances, end of year	$ 23,012,095	$ 1,669,216	$ 190,512	$ 24,871,823

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net change in fund balances - governmental funds	$	(3,814,193)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay		3,016,722
Depreciation expense		(883,404)
Certain revenues relating to sales taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		809,275
Changes in the Due from City of Tucson receivable provide current financial resources and, therefore, are reported as revenue in the governmental funds.		(82,000)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		250,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases noncurrent liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amounts consist of:		
Principal paid		4,655,000
Amortization of discount		(91,417)
Change in net position of governmental activities	$	3,859,983

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies:

The accounting policies of Rio Nuevo Multipurpose Facilities District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona.

During the year ended June 30, 2014, the District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

Reporting entity:

The District was established in 1999 by the voters in the Cities of Tucson and South Tucson. Under applicable Arizona Revised Statutes, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The original life of the District was 10 years. In 2006, the life of the District was extended to 25 years. Prior to 2010, the District was governed by a Board of Directors, whereby, the City of Tucson (the City) maintained control of the District. Although the District is a legally separate entity, ultimate financial accountability was with the City of Tucson. During 2010, the Arizona State Legislature changed the configuration of the District's Board. The legislation increased the size of the Board from four to nine members, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. As a result of this change, it was determined that ultimate financial accountability for the District is now with the State, rather than the City, and the District is included in the financial statements of the State of Arizona.

District affiliation with the City of Tucson:

Presently, both the District and the City work to make improvements aimed at revitalizing and generating economic development opportunities in the downtown Tucson area. During 2011, the District and City signed a revised Intergovernmental Agreement (IGA) relating to District governance and operations. The City still assists the District with certain financial accounting services, such as facilitating the Arizona Department of Revenue's collection and remittance of the Tax Increment Financing (TIF) revenue, tracking cash pooled at the City of Tucson, and handling debt service payments out of the various restricted fiscal agent accounts.

Prior to 2013, the District continued to claim ownership of several parcels of land and developed projects within the District boundaries that were funded with District funds, and were not previously recorded as capital assets. The City held title to these properties and disagreed that the District was entitled to any ownership interest. The District had filed a number of legal proceedings to support its contention. The District and City reached a resolution regarding these disputed properties in a settlement agreement during 2013.

1. Description of organization and summary of significant accounting policies (continued):

Government-wide and fund financial statements:

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

The government-wide statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall District.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges to customers for services provided.

Revenues that are not classified as program revenues, including all taxes and internally dedicated resources, are reported as general revenues.

Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds.

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The District receives Tax Increment Financing (TIF) from the state transaction privilege tax revenue (sales tax or TIF revenue) generated within the District's boundaries that exceed the 1999 base year. All sales taxes are collected by the Arizona Department of Revenue and remitted to the City, on behalf of the District. In the government-wide financial statements, sales taxes are recognized as revenue in the fiscal period in which related sales take place. In the governmental fund financial statements, sales taxes are reflected as revenues in the fiscal period for which the sales relate, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise they are reported as deferred inflows of resources.

Leases and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund accounts for all financial resources except those required to be accounted for in another fund.

The series 2008 revenue bond fund is used to account for revenue bond proceeds to be used for the acquisition or construction of various major capital assets within the downtown Tucson area, of which the remaining cash balance has been committed by the District.

The series 2009 Certificates of Participation (COPs) fund is used to account for the COP proceeds to be used for the acquisition or construction of major capital assets relating specifically to the Tucson Convention Center (TCC) improvements and design of a hotel adjacent to the TCC, whose cash with the fiscal agent has been committed by the District.

Estimates:

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The District has cash and cash equivalents with two credit institutions. The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

1. Description of organization and summary of significant accounting policies (continued):

Pooled cash and investments:

The District has cash and investments held by and in the City of Tucson's pooled account. Investments, as managed and administered by the City of Tucson, are reported at fair value. The fair value of the pooled investments is based on current market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Estimated fair value for real estate investments are established by third party appraisers.

Income from pooled investments is allocated to the District's funds based on each City fund's monthly average daily cash balance in relation to the total pooled investments. Income from nonpooled investments is recorded based on the specific investments held by the fund. All other interest income is recorded in the fund that earned the interest.

Cash and investments with fiscal agent, restricted:

Certain proceeds of the District's long-term debt are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Receivables and deferred inflows of resources:

Accounts receivable consists primarily of amounts due from the State of Arizona for sales taxes. Sales taxes receivable for the governmental funds, which have been received from the state within 60 days subsequent to year end, are considered measurable and available and recognized as revenues. All other sales taxes are offset by unavailable revenues and, accordingly, have not been recorded as revenue.

Capital assets:

Capital assets, which include land, buildings and improvements, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation, if and when they occur.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

1. Description of organization and summary of significant accounting policies (continued):

Capital assets (continued):

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	10 to 50 years
Equipment	6 years

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses.

Fund balance:

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in expendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the executive members of the Governing Board
- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds

1. Description of organization and summary of significant accounting policies (continued):

Fund balance (continued):

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. Cash and investments:

Cash and investments consist of the following:

Deposits:	
Unrestricted	$ 11,170,575
Restricted for purchase of capital assets	190,512
Restricted for debt service requirements	17,151,950
	28,513,037
Investments:	
City of Tucson investment pool - restricted for purchase of capital assets	2,754,582
	$ 31,267,619

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At year end, deposits with financial institutions have a carrying value of $28,513,037 and a bank balance of $28,517,579. The difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2014.

2. Cash and investments (continued):

Investments:

Investment of District public monies is regulated by the Arizona Revised Statures. The District does not have a formal investment policy regarding exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

The District has $2,754,582 of cash on deposit in the City of Tucson's pooled investment account that is available on demand at June 30, 2014. The City pools the District's cash with other City departments for investment. The District's deposit is not identified with specific investments. The District's investments in the City of Tucson investment pool follow the City of Tucson's formal investment policy.

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations typically rated by one or more nationally recognized statistical-rating organizations. These obligations may consist of the U.S. Government Treasuries, Agencies and instrumentalities, money market funds consisting of primarily U.S. Governmental issues, repurchase agreements, negotiable and nonnegotiable bank certificates of deposit (CDs), commercial paper rated P-2/A-2 or better, corporate bonds and notes rated A2/A or better, and the State of Arizona Local Government Investment Pool.

3. Due from City of Tucson:

As part of the settlement agreement entered into by the District and the City in 2013 to resolve disputed properties, it was agreed the City will retain ownership of the Depot Garage (the Garage) and shall be responsible for operation and maintenance of the Garage. However, in recognition of the $13,702,386 already expended by the District for construction of the Garage, a due from the City of Tucson is recorded. The City shall pay the District a monthly fee with increasing payments through 2016 and, starting in 2017, payments increase 4% over the prior year through calendar year 2050, or through the termination of the District. As of June 30, 2014, the District had received $120,666 from the City of Tucson.

3. Due from City of Tucson (continued):

The future payments to be received under this agreement are as follows:

Year ending June 30,	
2015	$ 144,500
2016	234,000
2017	290,700
2018	302,328
2019	314,421
2020 - 2024	1,771,126
2025 - 2029	2,154,846
2030 - 2034	2,621,700
2035 - 2039	3,189,699
2040 - 2044	3,880,756
2045 - 2049	4,721,533
2050 - 2051	1,601,274
	$21,226,883

Further, if the City sells the Garage, the District will be entitled to receive the lesser of the total sales proceeds or $16 million less the total amount of the above payments received by the District as of the date of sale.

4. Land held for sale:

Prior to year end, the Governing Board released requests for proposals for the sale and development of the property referred to as the Arena Site. Subsequent to year end, proposals were received and evaluated by the Board. The top ranked proposal received the opportunity to negotiate an agreement with the District. No contract for the sale of the property has been approved.

5. Capital assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	$ 9,089,564	$ -	$ (973,983)	$ 8,115,581
Construction in progress	144,921	3,016,722	-	3,161,643
Total capital assets, not depreciated	9,234,485	3,016,722	(973,983)	11,277,224
Capital assets, depreciated:				
Buildings and improvements	34,662,809	-	-	34,662,809
Equipment	5,800	-	-	5,800
Total capital assets, depreciated	34,668,609	-	-	34,668,609
Less accumulated depreciation for:				
Buildings and improvements	(8,624,444)	(883,404)	-	(9,507,848)
Equipment	(5,800)	-	-	(5,800)
Total accumulated depreciation	(8,630,244)	(883,404)	-	(9,513,648)
Total capital assets, depreciated, net	26,038,365	(883,404)	-	25,154,961
Total capital assets, net	$ 35,272,850	$ 2,133,318	$ (973,983)	$ 36,432,185

6. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2014 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Revenue bonds, series 2008	$ 71,305,000	$ -	$ (3,870,000)	$ 67,435,000	$ 4,020,000
COPs, series 2009	11,800,000	-	(785,000)	11,015,000	810,000
Deferred amount:					
on discounts	(1,100,371)	-	91,417	(1,008,954)	-
	$ 82,004,629	$ -	$ (4,563,583)	$ 77,441,046	$ 4,830,000

The District follows a historical policy that reports payments scheduled to be made in July 2015 as due within one year.

7. Certificates of participation:

In November 2009, the District issued COPs, Series 2009, in the amount of $12,560,000. The District used the proceeds from the COPs to pay the costs of certain improvements to the Tucson Convention Center (TCC) and costs of the design and development of a hotel adjacent to the TCC through a trustee (Wells Fargo Bank, N.A.) who, in turn, leases the assets to the District. The District's lease payments to the trustee repay the COPs. The lease payments are payable in semi-annual installments of principal and interest, with rates ranging from 3% to 4.5% through July 1, 2025. The COPs are secured by the leased property and guaranteed by the City of Tucson.

This debt incurred a discount of $147,268 that is being amortized over the life of the debt.

Future principal and interest payments on the series 2009 COPs are as follows:

Year ending June 30,	Principal	Interest	Total
2015	$ 810,000	$ 471,125	$ 1,281,125
2016	845,000	438,725	1,283,725
2017	880,000	404,925	1,284,925
2018	910,000	369,725	1,279,725
2019	950,000	333,325	1,283,325
2020 - 2024	5,395,000	1,019,827	6,414,827
2025 - 2026	1,225,000	55,126	1,280,126
	$ 11,015,000	$ 3,092,778	$ 14,107,778

8. Revenue bonds:

In December 2008, the District issued $80,000,000 Subordinate Lien Excise Tax Revenue Bonds, Series 2008 to fund certain projects and for partial repayment to the City for monies advanced for these and other projects in previous fiscal years. Principal and interest is payable semiannually on July 15 and January 15 each year through July 15, 2025, with interest rates ranging from 5% to 6.6%. The District has pledged to the trustee (Wells Fargo Bank, N.A.) future sales tax revenues to repay the bonds. The District must also maintain a reserve fund equal to the lessor of 10% of the original par value, the maximum annual debt service, or 125% of the average annual debt service on the 2008 bonds.

This debt incurred a discount of $1,356,374 that is being amortized over the life of the debt.

8. Revenue bonds (continued):

Future principal and interest payments on the series 2008 revenue bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2015	$ 4,020,000	$ 4,136,969	$ 8,156,969
2016	4,230,000	3,935,969	8,165,969
2017	4,465,000	3,713,894	8,178,894
2018	4,725,000	3,468,319	8,193,319
2019	5,010,000	3,196,631	8,206,631
2020 - 2024	30,290,000	10,953,094	41,243,094
2024 - 2026	14,695,000	973,544	15,668,544
	$ 67,435,000	$ 30,378,420	$ 97,813,420

9. Charges for services:

As noted in note 7, the District leases the TCC from the trustee. The District subleases the TCC to the City of Tucson with the City's lease payments matching the District's lease payments to the trustee. The City is also responsible for paying all taxes, insurance and maintenance expenses that arise from the use of the property. The original term of the lease was through June 30, 2012; however, the lease was amended in November 2009 and extended to June 30, 2025 with the issuance of the 2009 COPs. Rental income attributable to this lease was $1,283,600 for 2014.

The District leases land to an unrelated party on a month-to-month agreement, with monthly rent of $1,716, which increases 3% every February. This land lease is in the name of the City of Tucson; however, the District and City believe that the rental income is most appropriate on the District's books. As part of the 2013 settlement agreement between the City and District, the City conveyed title of the property to the District. Rental income attributable to this lease was $20,588 for 2014.

The District leases parking spaces on the Arena Site on informal month-to-month agreements with various individuals for approximately $35 per month. Rental income attributable to these leases was $7,173 for 2014.

As noted in note 10, the District owns the building that houses the historic Rialto Theatre and leases the theatre to the Rialto Theatre Foundation (Rialto). Lease payments are $3,690 per month for ten years ending May 2015. For the subsequent 40 years of the lease, payments will be the greater of $3,690 or 3% of gross receipts generated by operation of the Rialto. Rental income attributable to this lease was $44,280 for 2014.

The District received additional miscellaneous rental fees of $20,837 during 2014.

10. Commitments and contingencies:

Operating leases:

The District leases administrative office space under a noncancelable operating lease, which expired in September 2014, and was renewed for an additional year. Rent is due in quarterly installments of $3,375 and the lease has an additional one-year renewal option.

Total rent expense on the operating leases was $13,500 for 2014.

The future minimum lease payments under the operating leases are as follows:

Year ending June 30,	
2015	$ 13,500
2016	3,375
	$ 16,875

Commitments:

As a result of the settlement agreement between the City and the District, the District agreed to expend no less than $6 million on renovation costs for the Tucson Convention Center (TCC). During the June 2013 Board meeting, the District approved a $7.8 million budget for this TCC renovation. As of June 30, 2014, the District had entered into an agreement with a general contractor for renovations to the TCC in the amount of $5,606,779. The total amount expended on this contract as of June 30, 2014 was $2,618,364.

Further, as part of the settlement agreement, the District agreed to complete the Mission Gardens project, with total funding not to exceed $1,100,000. The District also agreed to fund within the next two years, in an amount not to exceed $750,000, City-approved streetscape improvements downtown. As of June 30, 2014, these projects have not been started.

At the May 2014 Board meeting, the Board approved allocating $4.3 million to the purchase of the garage component of a proposed new downtown hotel. As of June 30, 2014, no construction has began on the proposed hotel; therefore, no District funds have been spent.

Intergovernmental agreements:

The District is party to a variety of intergovernmental agreements (each an "IGA") it inherited that were primarily entered into by the City of Tucson when it administered and managed the District prior to March 2010.

10. Commitments and contingencies (continued):

Intergovernmental agreements (continued):

The District has an agreement with the Fox Tucson Theatre Foundation (Foundation) in which the District agreed to provide funding and assistance in support of the restoration of the historic Fox Theatre in downtown Tucson. As part of the agreement, the District owns the theatre and the Foundation leases the theatre from the District. The total repayment of this loan was scheduled over a 15-year period, and equals the total amount of principal ($5.8 million) and interest ($1,680,224) payments the District will make on the series 2005 bonds, for a total sum of $7,480,224. The loan payments are due in $1.5 million installments every five years and, at the end of the 15-year period, the Foundation shall pay an amount determined by the District based on the outstanding balance of the amount paid to the Foundation plus the interest accumulated on the debt services of the funds. The first installment was due in September 2011. The Foundation is currently in default as it did not make this first principal installment of $1.5 million.

Annual interest on this agreement was recorded as interest income on the government-wide financial statements through June 30, 2011. Interest was not recorded in the governmental funds because it was not collectable within 60 days of year-end. The Foundation has not paid any interest payments to date, therefore, no interest income is recorded in the funds. The District has subsequently agreed to negotiate with the Foundation on restructuring the debt repayment schedule.

The principal and accrued interest are recorded as long-term note receivable on the statement of net position. The District has evaluated the collectibility of this outstanding receivable and determined to place the account on non-accrual status. The District established an allowance for the entire accrued interest and half of the principal at June 30, 2012.

Principal balance	$ 5,800,000
Accrued interest	717,677
	6,517,677
Less allowance for doubtful account	3,617,677
	$ 2,900,000

The District also has an agreement with the Rialto Theatre Foundation, formally known as Congress Street Historic Theatres Foundation (Rialto Foundation), in which the District agreed to provide funding and assistance in support of the restoration of the historic Rialto Theatre in downtown Tucson. As part of the agreement, the District owns the theatre and Rialto Foundation leases the theatre from the District. Lease payments are $3,690 per month for ten years beginning May 2005. For the subsequent 40 years of the lease, payments will be the greater of $3,690 or 3% of gross receipts generated by operation of the Rialto Theatre. As of June 30, 2010, Rialto Foundation had not made any monthly lease payments and owed the District approximately $110,000 in back rent. Effective Fall 2010, the District entered into a revised agreement with Rialto Foundation, whereby future improvements to the Rialto Theatre can offset the outstanding back rent.

10. Commitments and contingencies (continued):

Intergovernmental agreements (continued):

The pre-2010 District entered into an IGA with the City of Tucson and the Arizona Board of Regents acting on behalf of the University of Arizona (UA) in 2004. It was subsequently amended in 2007 to state that the District would be responsible for up to $130,000,000 of the cost of the project. The agreement was entered into for the construction and operation of a science center to be owned and operated by the UA. As of June 30, 2014, the District has contributed approximately $7.5 million to the project. The agreement has termination clauses and the reconstituted Board believes this agreement has been terminated by all parties.

Litigation:

In the normal course of its business, the District may be subject to certain contractual guarantees and litigation. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

11. Concentrations:

The District derives the majority of its revenue from tax increment financing revenue and the lease revenue from the TCC. For the year ended June 30, 2014, sales tax revenue comprised 86% of total revenues and TCC lease revenue comprised 12% of total revenues in the government-wide financial statements.

12. Restatement of beginning net position:

Due to the implementation of GASB Statement No. 65, beginning net position has been decreased by $1,418,380. The difference represents a restatement for debt issuance costs. Debt issuance costs were recorded as an asset and amortized to expense over the life of the debt under the prior standards, but should be expensed in the period incurred under the new standard.

This resulted in the following change to net position in the government-wide financial statements as of June 30, 2013.

Net position, as previously reported, June 30, 2013	$ (313,663)
Debt issuance costs	(1,418,380)
Net position, as restated, June 30, 2013	$ (1,732,043)

This adjustment does not affect fund balances at June 30, 2013 in the governmental funds.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - ALL FUNDS

YEAR ENDED JUNE 30, 2014

	Budgeted amounts			
	Original	Final	Actual	Variance with final budget
Revenues:				
Sales taxes	$ 11,100,000	$ 11,100,000	$ 8,307,580	$ (2,792,420)
Charges for services	1,366,933	1,366,933	1,376,478	9,545
Investment earnings	20,000	20,000	54,216	34,216
Other			82,000	82,000
Total revenues	12,486,933	12,486,933	9,820,274	(2,666,659)
Expenditures:				
Administration	952,000	952,000	1,106,484	(154,484)
Capital outlay	9,700,673	9,700,673	3,016,722	6,683,951
Debt service	9,503,419	9,503,419	9,511,261	(7,842)
Total expenditures	20,156,092	20,156,092	13,634,467	6,521,625
Net change in fund balance	$ (7,669,159)	$ (7,669,159)	$ (3,814,193)	$ 3,854,966

NOTES TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on a basis consistent with the requirements of the Arizona Revised Statutes 48.4232. The budget is prepared for all funds (general fund, series 2009 revenue bond, and series 2008 COPs) combined.

BFC
BEACHFLEISCHMAN

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board and Management
Rio Nuevo Multipurpose Facilities District

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rio Nuevo Multipurpose Facilities District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2014-1)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rio Nuevo Multipurpose Facilities District Response to Findings
The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BeachFleischman PC

Tucson, Arizona
October 17, 2014

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

2014-1

Criteria:
The District is responsible for establishing and following legal documents that support accounting transactions.

Condition / Context:
We noted the District records rental income from a land lease with an unrelated third party. The lease is in the name of the City of Tucson. Further, the lease calls for increases in rent of 3% every February and we noted no increase took place during the year.

Effect:
Noncompliance with organizational governance can lead to incomplete financial transactions.

Cause:
Limited available resources and staff time.

Recommendation:
We recommend that the District review this lease and work with legal counsel to revise the lease in the name of the District. Further, we recommend the District be aware of all provisions in its lease agreements to ensure appropriate rent is collected.

View of responsible officials and planned corrective actions:
We concur with the finding and will have legal counsel assist in revising the lease.