

**RIO NUEVO
MULTIPURPOSE FACILITIES DISTRICT
YEAR ENDED JUNE 30, 2019**

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

YEAR ENDED JUNE 30, 2019

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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, 2019, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rio Nuevo Multipurpose Facilities District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Auditing standards generally accepted in the United States of America require that the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America 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 November 19, 2019, 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
November 19, 2019

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental activities</u>
Assets:	
Cash and investments (note 2)	\$ 11,495,441
Taxes receivable, net	3,476,561
Other current assets	26,387
Due from City of Tucson (note 3)	6,003,220
Fox note receivable (note 4)	2,721,910
Monier note receivable (note 4)	2,468,480
Cash and investments, restricted (note 2)	21,844,338
Capital assets, not depreciated (note 5)	18,185,765
Capital assets, depreciated, net (note 5)	<u>78,371,672</u>
Total assets	<u>144,593,774</u>
Deferred outflows of resources:	
Deferred charge on refunding of debt (note 9)	<u>5,080,857</u>
Total deferred outflows of resources	<u>5,080,857</u>
Liabilities:	
Accounts payable	1,994,724
Retainage payable	804,794
Accrued expenses	419,297
Unearned rent revenue (note 11)	6,908,021
Liabilities payable from restricted assets (note 6)	15,075,405
Noncurrent liabilities:	
Due within one year (note 7)	9,068,576
Due in more than one year (note 7)	<u>81,000,841</u>
Total liabilities	<u>115,271,658</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	56,083,018
Restricted for debt service	6,768,932
Unrestricted	<u>(28,448,977)</u>
Total net position	<u>\$ 34,402,973</u>

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Governmental activities</u>
Expenses:	
Downtown development:	
Advertising and promotions	\$ 801,936
Business improvement district tax	188,714
Depreciation	2,586,574
Insurance	49,278
Other	178,510
Outside project costs	880,745
Professional and consulting	905,621
Salaries and wages	70,082
Interest	<u>3,133,724</u>
Total program expenses	8,795,184
Program revenues:	
Charges for services	<u>1,990,280</u>
Net program expense	<u>6,804,904</u>
General revenues:	
Sales taxes, net	15,462,361
Interest income	68,480
Hockey surcharge fee	213,258
Investment earnings	<u>253,430</u>
Total general revenues	<u>15,997,529</u>
Change in net position	9,192,625
Net position, beginning of year	<u>25,210,348</u>
Net position, end of year	<u><u>\$ 34,402,973</u></u>

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

ASSETS

	General	Debt service - revenue bonds	Total governmental funds
Assets:			
Cash and investments	\$ 11,495,441	\$ -	\$ 11,495,441
Taxes receivable, net	3,476,561	-	3,476,561
Other current assets	26,387	-	26,387
Due from City of Tucson	6,003,220	-	6,003,220
Fox note receivable	2,721,910	-	2,721,910
Monier note receivable	2,468,480	-	2,468,480
Cash and investments, restricted	8,055,984	13,788,354	21,844,338
Total assets	\$ 34,247,983	\$ 13,788,354	\$ 48,036,337

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 1,994,724	\$ -	\$ 1,994,724
Retainage payable	804,794	-	804,794
Accrued expenses	419,297	-	419,297
Unearned rent revenue	6,908,021	-	6,908,021
Liabilities payable from restricted assets	7,736,663	7,338,742	15,075,405
Total liabilities	17,863,499	7,338,742	25,202,241
Deferred inflows of resources:			
Unavailable revenue - sales taxes	1,133,127	-	1,133,127
Unavailable revenue - due from City of Tucson	6,003,220	-	6,003,220
Unavailable revenue - Fox note receivable	2,721,910	-	2,721,910
Total deferred inflows of resources	9,858,257	-	9,858,257
Commitments and contingencies			
Fund balances:			
Nonspendable	2,494,867	-	2,494,867
Restricted	-	6,449,612	6,449,612
Committed	15,534,500	-	15,534,500
Unassigned	(11,503,140)	-	(11,503,140)
Total fund balances	6,526,227	6,449,612	12,975,839
Total liabilities, deferred inflows and fund balances	\$ 34,247,983	\$ 13,788,354	\$ 48,036,337

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, 2019

Total fund balances - governmental funds	\$ 12,975,839
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.	96,557,437
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Sales taxes	1,133,127
Due from City of Tucson	6,003,220
Long-term Fox note receivable	2,721,910
Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds.	5,080,857
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Revenue bonds	(49,595,000)
Construction loan	<u>(40,474,417)</u>
Net position of governmental activities	<u>\$ 34,402,973</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

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

YEAR ENDED JUNE 30, 2019

	General	Debt service - revenue bonds	Total governmental funds
Revenues:			
Sales taxes, net	\$ 15,206,920	\$ -	\$ 15,206,920
Charges for services	1,990,280	-	1,990,280
Interest income	68,480	-	68,480
Hockey surcharge fee	213,258	-	213,258
Investment earnings	89,256	164,174	253,430
Fox Theatre (note 4)	89,045	-	89,045
Total revenues	17,657,239	164,174	17,821,413
Expenditures:			
Downtown development	3,074,886	-	3,074,886
Capital outlay	30,296,689	-	30,296,689
Debt service:			
Principal	7,951,070	6,610,000	14,561,070
Interest	574,730	1,646,316	2,221,046
Total expenditures	41,897,375	8,256,316	50,153,691
Revenues under expenditures	(24,240,136)	(8,092,142)	(32,332,278)
Other financing sources (uses):			
Construction loan proceeds	26,649,158	-	26,649,158
Transfers in (out)	(8,052,789)	8,052,789	-
Total other financing sources	18,596,369	8,052,789	26,649,158
Net change in fund balances	(5,643,767)	(39,353)	(5,683,120)
Fund balances, beginning of year	12,169,994	6,488,965	18,658,959
Fund balances, end of year	\$ 6,526,227	\$ 6,449,612	\$ 12,975,839

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, 2019

Net change in fund balances - governmental funds	\$ (5,683,120)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures, unless they do not require the use of current financial resources. 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	30,296,689
Depreciation expense	(2,586,574)
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.	255,441
Changes in the long-term Fox note receivable provide current financial resources and, therefore, are reported as revenue in the governmental funds.	(89,045)
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:	
Construction loan proceeds	(26,649,158)
Principal paid	14,561,070
Amortization of discount	(65,868)
Amortization of deferred loss on refunding	<u>(846,810)</u>
Change in net position of governmental activities	<u>\$ 9,192,625</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

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

Reporting entity:

In 1999, the voters in the City of Tucson (the City) and the City of South Tucson (South Tucson) passed Proposition 400 which allowed these municipalities to form the District. They did so in 2000 and as a result, the District commenced receiving a portion of the state's sales tax revenue generated from within the District's "multipurpose facilities site." At the outset, the District was controlled by the City by its appointment of members to the District's Board of Directors (Board). This changed in 2009 when the applicable statutes were amended, which increased the number of Board members to nine with the Governor having the authority to appoint 5 and the President of the Senate and the Speaker of the House each having the authority to appoint two members to the Board. 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.

During 2013, the District and the City entered into a settlement agreement (the Settlement) to resolve a dispute related to the ownership of several properties.

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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

Government-wide and fund financial statements (continued):

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.

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.

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 District. In the government-wide financial statements, sales taxes are recognized as revenue in the fiscal period in which related sales take place. Sales taxes are recorded net of any abatements due to third parties. 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 year are all considered to be susceptible to accrual and have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the government.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

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

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

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 debt service revenue bonds fund - accounts for the accumulation of resources for, and the payment of, revenue bond principal and interest.

Estimates:

The preparation of the basic financial statements in conformity with GAAP 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 investments:

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

Cash and investments, 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 acquisition 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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

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

Capital assets (continued):

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

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows and inflows of resources:

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

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are 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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

Fund balance (continued):

- Committed – includes fund balance amounts that can only be used for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.
- 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.

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.

Interfund transfers:

Transfers are primarily used to record transactions between individual funds to fund debt service payments and restricted obligations.

Management's discussion and analysis:

GAAP requires the Management's Discussion and Analysis (MD&A) section to be presented as a supplement to the basic financial statements. The District has elected not to include the MD&A. Management believes that the information included in the MD&A would be of minimal benefit to the readers of the financial statements and most of the information ordinarily contained in the MD&A is disclosed in the basic financial statements. Furthermore, management also believes that the MD&A is more appropriate for larger entities and it would not provide more useful information than is already provided.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

2. Cash and investments:

Deposits:

Unrestricted	\$ 11,495,441
Restricted for future TCC capital improvements	319,319
Restricted for debt service requirements	<u>21,525,019</u>
	<u>\$ 33,339,779</u>

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 \$33,339,779 and a bank balance of \$34,055,690. The difference represents deposits in transit, outstanding checks, and other reconciling items at year-end. At June 30, 2019, approximately \$2,950,000 of the bank balance was unsecured and uncollateralized.

3. Due from City of Tucson:

As part of the Settlement with the City discussed in note 1, certain assets that the District expended funds to improve were retained by the City, including the Depot Garage. The District recognized a receivable totaling \$14,202,000 as consideration for their efforts. In October 2016, the agreement was amended to reduce the remaining receivable by \$7,200,000 for land received from the City related to the Caterpillar project and to require annual payments of \$285,000 beginning October 2021, with a final payment of \$115,000 in October 2043. The annual payments are required until the receivable is paid off or the termination of the District, whichever occurs first. The City is entitled to credits against the amount due for any future sales tax generated on the currently undeveloped parcel. The City may apply the credits in any year during the payment schedule. The City shall not sell or lease the Depot Garage without the prior written consent of the District. At June 30, 2018, the outstanding balance receivable from the City was \$6,003,220.

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

Year ending <u>June 30,</u>	
2022	\$ 285,000
2023	285,000
2024	285,000
2025 - 2029	1,425,000
2030 - 2034	1,425,000
2035 - 2039	1,425,000
2040 - 2043	<u>970,000</u>
	<u>\$ 6,100,000</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

4. Notes receivable:

In December 2014, the District and the Fox Tucson Theatre Foundation (Foundation) amended the 2005 IGA, which, among other matters, involved the District contributing \$313,185 to the Foundation to help the Foundation finance the buy-out of the third party trust thereby benefiting both the District and the Foundation. The amendment also restructured the original debt repayment schedule. Under this new agreement, the outstanding balance due to the District was reduced to \$2,900,000, which was the amount of the net receivable recorded on the District's books. Further, this new agreement calls for annual payments of \$89,045 starting January 1, 2018, with all principal and interest due on July 2, 2050. During 2019, the Foundation made the scheduled payment of \$89,045.

The District has a note receivable with a developer of the Monier Mixed-Use project. The note will be reduced by payments or TIF revenue earned on the property. The note accrues interest at 4.28% per year, and matures in October 2024. Interest earned on the note during 2019 was \$68,480, and no interest was received during 2019. No TIF revenue was earned on the property during 2019. The outstanding principal and interest balance was \$2,468,480 at year end.

5. Capital assets:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 17,444,303	\$ 182,000	\$ -	\$ 17,626,303
Land improvements	-	443,554	-	443,554
Construction in progress	<u>21,415,510</u>	<u>27,243,015</u>	<u>(48,542,617)</u>	<u>115,908</u>
Total capital assets, not depreciated	<u>38,859,813</u>	<u>27,868,569</u>	<u>(48,542,617)</u>	<u>18,185,765</u>
Capital assets, depreciated:				
Buildings and improvements	45,801,342	49,055,986	-	94,857,328
Equipment	<u>1,007,120</u>	<u>240,143</u>	<u>-</u>	<u>1,247,263</u>
Total capital assets, depreciated	<u>46,808,462</u>	<u>49,296,129</u>	<u>-</u>	<u>96,104,591</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,795,683)	(2,458,645)	-	(17,254,328)
Equipment	<u>(350,662)</u>	<u>(127,929)</u>	<u>-</u>	<u>(478,591)</u>
Total accumulated depreciation	<u>(15,146,345)</u>	<u>(2,586,574)</u>	<u>-</u>	<u>(17,732,919)</u>
Total capital assets, depreciated, net	<u>31,662,117</u>	<u>46,709,555</u>	<u>-</u>	<u>78,371,672</u>
Total capital assets, net	<u>\$ 70,521,930</u>	<u>\$ 74,578,124</u>	<u>\$ (48,542,617)</u>	<u>\$ 96,557,437</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

6. Liabilities payable from restricted assets:

The District records debt payments due on July 1 of the following fiscal year as liabilities payable from restricted assets. At June 30, 2019, amounts due on the Series 2016 and 2017 revenue bonds and the Series 2009 certificates of participation (COPs) will be paid from restricted cash and investments with fiscal agent.

7. Changes in noncurrent liabilities:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue bonds, series 2016A	\$ 38,610,000	\$ -	\$ (4,590,000)	\$ 34,020,000	\$ 4,725,000
Revenue bonds, series 2016B	15,440,000	-	(1,835,000)	13,605,000	1,890,000
Revenue bonds, series 2017, tax exempt	2,045,000	-	(75,000)	1,970,000	190,000
Revenue bonds, series 2017, taxable	110,000	-	(110,000)	-	-
COPs, series 2009	7,570,000	-	(7,570,000)	-	-
Construction loan	14,206,329	26,649,158	(381,070)	40,474,417	2,263,576
Unamortized discount	<u>(65,868)</u>	<u>-</u>	<u>65,868</u>	<u>-</u>	<u>-</u>
	<u>\$ 77,915,461</u>	<u>\$ 26,649,158</u>	<u>\$ (14,495,202)</u>	<u>\$ 90,069,417</u>	<u>\$ 9,068,576</u>

The District follows a historical policy that reports payments scheduled to be made in July 2020 as due within one year.

In August 2019, the District issued \$120,262,000 private placement tax exempt loans, with an interest rate of 2.69% that mature July 15, 2035.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

8. 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.

On July 1, 2019, the District prepaid the entire outstanding balance, in accordance with the optional prepayment provisions of the COPs. As noted in footnote 6, the District records debt payments made on July 1 of the following fiscal year as liabilities payable from restricted assets.

9. Revenue bonds:

On March 31, 2016, the District issued \$69,185,000 in Series 2016A and 2016B revenue bonds to advance refund \$63,000,000 of outstanding 2008 Series bonds. Principal and interest on the Series 2016A and 2016B revenue bonds is payable semiannually on July 15 and January 15 each year through July 15, 2025, with an interest rate of 2.78%. The District has pledged to the trustee future sales tax revenues to repay the bonds.

Future principal and interest payments on the series 2016A and 2016B revenue bonds are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,615,000	\$ 1,323,975	\$ 7,938,975
2021	6,815,000	1,140,078	7,955,078
2022	7,020,000	950,621	7,970,621
2023	7,230,000	755,465	7,985,465
2024	7,445,000	554,471	7,999,471
2025 - 2029	<u>12,500,000</u>	<u>347,500</u>	<u>12,847,500</u>
	<u>\$ 47,625,000</u>	<u>\$ 5,072,110</u>	<u>\$ 52,697,110</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

9. Revenue bonds (continued):

In 2016, the District defeased certain revenue bonds by placing the proceeds of the 2016 Series revenue bonds in an irrevocable trust to provide for all future debt service payments on the old revenue bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the District's financial statements. During 2019, the underlying debt instruments of the defeased bonds were fully redeemed at their earliest call date, and no amounts are outstanding on the defeased debt.

In May 2017, the District issued \$2,315,000 in Series 2017 Revenue Bonds to fund the construction of a Greyhound Terminal. Principal and interest is payable semiannually on July 1 and January 1 each year through July 1, 2028, with interest rates ranging from 3.6% to 5.9%. The District has pledged to the trustee future lease revenues to repay the bonds.

Future principal and interest payments on the Series 2017 revenue bonds are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 190,000	\$ 70,920	\$ 260,920
2021	195,000	64,080	259,080
2022	205,000	57,060	262,060
2023	210,000	49,680	259,680
2024	220,000	42,120	262,120
2025 - 2029	<u>950,000</u>	<u>86,940</u>	<u>1,036,940</u>
	<u>\$ 1,970,000</u>	<u>\$ 370,800</u>	<u>\$ 2,340,800</u>

10. Construction loan payable:

At the May 2016 Board meeting, the Board approved a plan to assist Caterpillar in relocating its Surface Mining and Technology Division to Tucson. As part of the plan, the District agreed to obtain debt for \$45 million to finance the construction of a new facility. In October 2017, the District entered into a construction loan agreement with Caterpillar Global Mining, LLC, whereby the District will borrow up to \$43 million to finance certain costs related to the construction and development of corporate offices for Caterpillar. The District also entered into a triple net lease with Caterpillar, and will lease the constructed facility to Caterpillar over the term of the related loan. The construction loan requires interest only payments each quarter until the construction is complete. Construction was substantially completed in April 2019, and the District capitalized \$260,000 of interest costs during the year. The loan converted to a 15 year term loan with interest at 3%, upon completion of the facility. As of June 30, 2019, the District had borrowed \$40,855,487, and anticipates borrowing the remaining \$2,144,513 within the next few months. Principal and interest payments started upon substantial completion of the facility, and at June 30, 2019, the outstanding balance on the loan was \$40,474,417.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

10. Construction loan payable (continued):

Future principal and interest payments on the construction loan are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,263,567	\$ 1,131,284	\$ 3,394,851
2021	2,279,702	1,115,149	3,394,851
2022	2,349,041	1,045,810	3,394,851
2023	2,420,489	974,362	3,394,851
2024	2,494,111	900,740	3,394,851
2025 - 2029	13,655,678	3,318,576	16,974,254
2030 - 2034	<u>15,011,829</u>	<u>1,113,712</u>	<u>16,125,541</u>
	<u>\$ 40,474,417</u>	<u>\$ 9,599,633</u>	<u>\$ 50,074,050</u>

11. Charges for services:

As discussed in note 8, 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 through June 30, 2025 with the issuance of the 2009 COPs. Rental income attributable to this lease was \$1,279,725 for 2019. During 2019, the City prepaid their lease obligation through June 30, 2025. Effective July 1, 2019, the City and District entered into a new lease agreement through January 1, 2050 or termination of the District. Lease payments from July 1, 2025 through the end of the lease are based on a revenue sharing calculation up to a maximum, as defined in the agreement.

The rent prepaid from the City totaling \$6,620,000 is recorded as unearned rent revenue at June 30, 2019. Rental income of \$1,103,333 will be recorded each year through 2025.

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 2019.

The District financed construction of the new Greyhound Terminal with the 2017 revenue bonds, and now leases the building to Greyhound. The lease is a 25-year triple net lease that may be extended for two successive periods of 10 years each. Rental income attributable to this lease was \$76,000 for 2019.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

11. Charges for services (continued):

The District financed construction of the Caterpillar facility, as discussed in footnote 10, and now leases the building to Caterpillar. The lease is a 15 year triple net lease through May 2034, with the lease payments matching the District's required loan payments. Rental income attributable to this lease was \$576,000 for 2019. In addition, \$288,021 is recorded as unearned rent revenue at June 30, 2019.

12. Commitments and contingencies:

Operating leases:

The District leases administrative office space under a noncancelable operating lease, which expires in June 2021. Rent is due in quarterly installments of \$3,531 and the lease has two additional one-year renewal options.

Total rent expense on the operating lease was \$14,124 for 2019.

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

Year ending <u>June 30,</u>	
2020	\$ 14,124
2021	<u>14,124</u>
	<u>\$ 28,248</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Commitments:

Project	Approved commitment	Remaining commitment at June 30, 2019
City Park	\$ 2,600,000	\$ 2,600,000
Hexagon	1,289,500	1,289,500
Ochoa Street	1,000,000	526,000
Presidio Duplex	450,000	448,000
123 S. Stone Avenue	275,000	275,000
75 East Broadway	3,400,000	3,088,000
Armory Park	500,000	500,000
2020/2022 E. Broadway	255,000	255,000
930 E. Broadway - Volvo Site	2,100,000	2,100,000
TCC hotel - Double Tree by Hilton	292,000	259,000
Hilton Hotel at Cathedral Square	125,000	125,000
TCC replacement ice rink	3,200,000	3,200,000
TCC capital cost surcharge recovery fee	319,000	319,000
AZ Nova Home Loan Bowl	400,000	400,000
Other	150,000	150,000
	<u>\$ 16,355,500</u>	<u>\$ 15,534,500</u>

In July 2016, the Board approved \$2,600,000 for the City Park project. Pursuant to this approval, the District will purchase the real property for \$2,600,000, lease it back to the developer over a 25-year period, at the end of which title will revert to the developer in exchange for \$2,600,000 less 50% of the site specific TIF revenue actually received by the District over the lease term.

In March 2017, the Board approved a plan to assist Hexagon Mining, Inc. (Hexagon) in expanding its North American headquarters to Tucson. The District will make a total of \$750,000 in parking assistance payments to Hexagon over eighty-four months, which Hexagon is required to use to defray its employee parking expenses at parking facilities owned by the City of Tucson or Pima County. Additionally, the District will make a one-time rental assistance payment to Hexagon for \$539,500, which Hexagon must use to pay their base rent at the City Park development.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Commitments (continued):

In February and March 2017, the District agreed to take title to 39 properties in three "blocks" or "clusters" in the Sunshine Mile at no immediate cost to the District. The District is expected to improve these properties. Further, to facilitate this project, in May 2018 the District approved the purchase of a property in one of the blocks/clusters for up to \$750,000. That purchase was completed during 2019 for \$700,000. The Board is anticipating spending up to \$2 million to move properties to accommodate the City's Broadway widening project. This expenditure has not been formally approved at a Board meeting. The District has entered into various professional services agreements relating to the Sunshine Mile for feasibility assessments, land surveys, and other similar services.

In May 2017, the Board approved investing \$1,000,000 in street improvements on Ochoa Street between the TCC and Stone Avenue.

In May 2018, the Board approved spending up to \$450,000 to renovate the Presidio Duplex, a property owned by the District.

In May 2018, the Board approved an agreement to purchase the building at 123 S. Stone for \$200,000 and to provide \$75,000 of rental assistance. The developer has the option to purchase the property back at the end of the term, and the project provides the developer with tax rebate incentives.

In June 2018, the Board agreed to enter into a ground lease with Pima County for the property at 75 E. Broadway, with the option to purchase the property for approximately \$3,000,000. The District is paying rent of \$189,000 per year until completion of the project, at which point the District anticipates exercising its option to purchase the property. The District has also entered into a sublease with a developer to create a mixed-use building. The District has also committed to \$400,000 in due diligence assistance.

In November 2018, the Board approved \$500,000 to assist with upgrades to Armory Park. The approval is contingent on other approvals and completion of various studies.

In November 2018, the Board approved purchasing the properties at 2020 and 2022 E. Broadway for \$255,000, and will lease them to a developer for 25 years. The project provides the developer with tax rebate incentives.

In December 2018, the Board approved a loan for \$1,300,000 and assistance of \$800,000 to help a developer with construction costs at 930 E. Broadway. The project provides the developer with tax rebate incentives that can be used to reduce the outstanding loan balance. This commitment is expected to be made in the near term.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Commitments (continued):

In March 2019, the Board approved \$292,000 to pay for certain professional services including architectural rendering of a new garage at the TCC. The costs of construction are expected to be financed through the debt obtained in August 2019 discussed in note 7.

In April 2019, the Board approved \$125,000 in funds to help the developers of the Hilton Hotel at Cathedral Square move utilities near the project.

In May 2019, the Board approved approximately \$3,200,000 to replace the ice at the hockey rink in the TCC. This was approved prior to the District obtaining additional financing for TCC improvements. It is expected that this commitment will be financed by the debt obtained in August 2019.

Beginning in 2017, the District receives a Capital Cost Surcharge Recovery fee under a license agreement between the City of Tucson, Ice Arizona AHL Co LLC, and the District. The District receives \$2 per ticket on all Roadrunner hockey ticket sales at the TCC. Income attributable to this license agreement was \$213,258 for 2019. The District is required to fund a capital reserve with 50% of the Capital Cost Surcharge Recovery fee received. The District transferred approximately \$107,000 to fund the capital reserve during the year, and the balance in the restricted cash account at June 30, 2019 is \$319,319. The cost of improvements or replacements greater than \$50,000 are to be funded from the capital reserve in the future.

The Board approved \$400,000 to sponsor the Arizona Nova Home Loans Bowl.

In June 2019, the Board approved a \$65,400,000 project for various improvements to the TCC, including a garage, renovation and expansion of the meeting rooms and convention space, music hall renovations, Leo Rich Theatre renovations, and various streetscapes. This was approved contingent on securing financing for the project. Therefore, the \$65,400,000 is not a commitment of existing funds. In August 2019, the Board approved a \$120,262,000 tax exempt loan with BBVA and BOK Financial. The loan will fund the TCC improvements and refund the outstanding Series 2016A and 2016B Tax Revenue Refunding Bonds.

Subsequent to year end, the District Board approved other commitments of approximately \$1,100,000 and a loan to a developer for \$1,750,000.

Tax rebates:

The District enters into TIF rebate agreements with local developers for the purpose of attracting new developments or retaining existing businesses within the District. These rebates are recorded as a reduction in sales tax revenue on the statement of activities, and if rebates are due to developers at year-end, the related taxes receivable are reduced on the statement of net position.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Tax rebates (continued):

	<u>Governmental activities</u>
Gross sales tax revenue	\$ 15,977,193
less: project rebates	(418,832)
less: incentive rebates	<u>(96,000)</u>
Net sales tax revenue	<u>\$ 15,462,361</u>
Gross sales tax receivable	\$ 3,697,397
Less: rebates due to merchants	<u>(220,836)</u>
Net sales tax receivable	<u>\$ 3,476,561</u>

As of June 30, 2019, the District has approved the following TIF rebate agreements:

<u>Project</u>	<u>Rebates generated by project during the year</u>	<u>Cumulative rebates generated by project as of June 30, 2019</u>	<u>Project Rebate Cap</u>	<u>Project Rebate Minimum</u>
AC Marriott and adjacent retail properties	\$ 419,000	\$ 1,394,000	\$ 7,750,000	\$ -
Mercado Annex	15,000	16,000	2,200,000	-
City Park	-	-	2,600,000	-
Brings Building	-	-	1,860,000	-
Congress Street Block (98 - 130 E. Congress)	-	-	10,600,000	-
44 East Broadway	-	-	4,500,000	-
TCC Hotel - Double Tree by Hilton	-	-	-	2,500,000
123 S. Stone Avenue	-	-	1,775,000	-
Toole & 7th Avenue	-	-	2,000,000	-
Hilton Hotel at Cathedral Square	-	-	6,850,000	-
930 E. Broadway - Volvo site	-	-	1,300,000	-
2020/2022 E. Broadway	-	-	375,000	-
Monier Mixed-Use Project	-	-	2,400,000	-
	<u>\$ 434,000</u>	<u>\$ 1,410,000</u>	<u>\$ 44,210,000</u>	<u>\$ 2,500,000</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Tax rebates (continued):

The District board has the authority to enter into tax rebate agreements. The amount of sales tax rebates allocated to the above projects is based on actual sales tax revenue collected by the District each month from the related business. Typically, the rebates are remitted back to the developers on a quarterly basis. The TIF rebates on the Mercado Annex, City Park, Monier Mixed-Use Project, and 930 E. Broadway projects are not remitted to the developers, instead they reduce future obligations of the developers, see further discussion below.

In September 2015, the Board approved allocating \$2,200,000 for the Mercado Annex project. During September 2016, the District purchased the land for \$2,200,000 and leased it back to the developer over a 15-year period. Rent for the leased property is \$100 per year. The developer has the option to repurchase the land for \$2,200,000, reduced by 50% of the TIF revenue the District receives on the property over the lease term up to the option closing date.

In August 2018, the District approved a new mixed use project on the west side. In September 2018, the District purchased the property for \$2,400,000 and leased the property back to the developer. In October 2018, the Board approved a restructured agreement, and the property was sold back to the developer for \$2,400,000. The District then loaned the developer \$2,400,000. As noted in footnote 4, the loan can be reduced with TIF revenue the District receives on the property over the term of the note.

In December 2018, the District approved loaning \$1,300,000 to developers relating to the previous Volvo site at 930 E. Broadway. The loan is expected to be funded in November 2019, and can be reduced with TIF revenue the District receives on the property over the term of the note, subject to a maximum. The rebates will be capped at 12% of the costs of each phase of construction.

In July 2016, the Board approved \$2,600,000 for the City Park project. Pursuant to this approval, the District will purchase the real property for \$2,600,000, lease it back to the developer over a 25-year period, at the end of which title will revert to the developer in exchange for \$2,600,000 less 50% of the site specific TIF revenue actually received by the District over the lease term.

In May 2017, the Board approved an agreement with a developer that is proposing to build a hotel on the TCC campus. The District will rebate the incremental sales tax revenue generated from the hotel and sales tax revenue generated from activities in the TCC due to the existence of the hotel with a rebate floor of \$2,500,000. If the developer has not received \$2,500,000 in rebates by July 1, 2025, the District must pay the difference up to the minimum of \$2,500,000. As of June 30, 2019, construction has not started on the property.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

12. Commitments and contingencies (continued):

Tax rebates (continued):

The District board has approved tax rebate incentives to developers in the planning stages of projects. Some projects do not come to realization, and the District has not disclosed incentives for projects that have a remote possibility of continuing.

The District holds title to various properties, leases them back to developers for a nominal annual fee, and provides an option/obligation for the developers to repurchase the properties, as prescribed in the respective agreements. As a result, the developers are not subject to property taxes assessed by other governmental entities for a maximum of 25 years.

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.

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.

13. 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, 2019, sales tax revenue comprised 86% of total revenues and TCC lease revenue comprised 7% of total revenues in the government-wide financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

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

YEAR ENDED JUNE 30, 2019

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes, net	\$ 14,400,000	\$ 14,400,000	\$ 15,206,920	\$ 806,920
Charges for services	1,376,313	1,376,313	1,990,280	613,967
Interest income	-	-	68,480	68,480
Hockey surcharge fee	-	-	213,258	213,258
Investment earnings	92,136	92,136	253,430	161,294
Fox Theatre	-	-	89,045	89,045
Total revenues	<u>15,868,449</u>	<u>15,868,449</u>	<u>17,821,413</u>	<u>1,952,964</u>
Expenditures:				
Downtown development	3,434,374	3,434,374	3,074,886	359,488
Capital outlay	3,074,419	3,074,419	30,296,689	(27,222,270)
Debt service	<u>9,476,025</u>	<u>9,476,025</u>	<u>16,782,116</u>	<u>(7,306,091)</u>
Total expenditures	<u>15,984,818</u>	<u>15,984,818</u>	<u>50,153,691</u>	<u>(34,168,873)</u>
Revenues under expenditures	(116,369)	(116,369)	(32,332,278)	(32,215,909)
Other financing sources:				
Construction loan proceeds	-	-	<u>26,649,158</u>	<u>26,649,158</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>26,649,158</u>	<u>26,649,158</u>
Net change in fund balance	<u>\$ (116,369)</u>	<u>\$ (116,369)</u>	<u>\$ (5,683,120)</u>	<u>\$ (5,566,751)</u>

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 and debt service fund) combined.

The District did not budget any construction loan proceeds or a corresponding amount for capital outlay because at the time of budgeting, the District was considering bonds as a method to finance the capital outlay and the District did not have an expected timeline of when funds would be needed.

**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
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rio Nuevo Multipurpose Facilities District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Beach Fleishman PC

Tucson, Arizona
November 19, 2019