

**RIO NUEVO
MULTIPURPOSE FACILITIES DISTRICT
YEAR ENDED JUNE 30, 2020**

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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 October 19, 2020, 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 Fleishman PC

Tucson, Arizona
October 19, 2020

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental activities</u>
Assets:	
Cash and investments (note 2)	\$ 6,293,823
Sales tax receivable, net	1,083,227
Other receivables	200,517
Other current assets	27,818
Due from City of Tucson (note 3)	6,003,220
Notes receivable (note 4)	5,430,594
Cash and investments, restricted (note 2)	82,686,441
Capital assets, not depreciated (note 5)	22,795,598
Capital assets, depreciated, net (note 5)	<u>77,567,983</u>
Total assets	<u>202,089,221</u>
Deferred outflows of resources:	
Deferred charge on refunding of debt (note 8)	<u>4,234,047</u>
Total deferred outflows of resources	<u>4,234,047</u>
Liabilities:	
Accounts payable	293,011
Retainage payable	493,534
Accrued expenses	125,682
Unearned rent revenue (note 11)	5,518,125
Liabilities payable from restricted assets (note 6)	7,658,936
Noncurrent liabilities:	
Due within one year (note 7)	6,042,000
Due in more than one year (note 7)	<u>110,050,000</u>
Total liabilities	<u>130,181,288</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	47,074,853
Restricted for debt service	8,448,494
Unrestricted	<u>20,618,633</u>
Total net position	<u>\$ 76,141,980</u>

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Governmental activities</u>
Expenses:	
Downtown development:	
Advertising and promotions	\$ 901,249
Business improvement district tax	184,734
Depreciation	5,280,173
Insurance	53,145
Merchant assistance program	1,537,378
Other	57,141
Outside project costs	3,364,108
Professional and consulting	1,537,677
Salaries and wages	75,521
Interest	<u>4,507,790</u>
Total program expenses	17,498,916
Program revenues:	
Charges for services	<u>3,286,256</u>
Net program expense	<u>14,212,660</u>
General revenues:	
Sales taxes, net	13,441,026
Interest income	102,720
Hockey surcharge fee	160,248
Investment earnings	969,874
Gain on forgiveness of construction loan payable (note 10)	<u>41,277,799</u>
Total general revenues	<u>55,951,667</u>
Change in net position	41,739,007
Net position, beginning of year	<u>34,402,973</u>
Net position, end of year	<u><u>\$ 76,141,980</u></u>

See notes to financial statements.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	ASSETS			
	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Assets:				
Cash and investments	\$ 6,293,823	\$ -	\$ -	\$ 6,293,823
Sales tax receivable, net	1,083,227	-	-	1,083,227
Other receivables	200,517	-	-	200,517
Other current assets	27,818	-	-	27,818
Due from City of Tucson	6,003,220	-	-	6,003,220
Notes receivable	5,430,594	-	-	5,430,594
Cash and investments, restricted	<u>5,110,071</u>	<u>16,107,430</u>	<u>61,468,940</u>	<u>82,686,441</u>
Total assets	<u>\$ 24,149,270</u>	<u>\$ 16,107,430</u>	<u>\$ 61,468,940</u>	<u>\$ 101,725,640</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 134,831	\$ -	\$ 158,180	\$ 293,011
Retainage payable	206,044	-	287,490	493,534
Accrued expenses	125,682	-	-	125,682
Unearned rent revenue	5,518,125	-	-	5,518,125
Liabilities payable from restricted assets	<u>-</u>	<u>7,658,936</u>	<u>-</u>	<u>7,658,936</u>
Total liabilities	<u>5,984,682</u>	<u>7,658,936</u>	<u>445,670</u>	<u>14,089,288</u>
Deferred inflows of resources:				
Unavailable revenue - due from City of Tucson	6,003,220	-	-	6,003,220
Unavailable revenue - Fox note receivable	<u>2,721,910</u>	<u>-</u>	<u>-</u>	<u>2,721,910</u>
Total deferred inflows of resources	<u>8,725,130</u>	<u>-</u>	<u>-</u>	<u>8,725,130</u>
Commitments and contingencies				
Fund balances:				
Nonspendable	871,716	-	-	871,716
Restricted:				
Debt service	-	8,448,494	-	8,448,494
Capital improvements	-	-	61,023,270	61,023,270
Committed	15,196,122	-	-	15,196,122
Unassigned	<u>(6,628,380)</u>	<u>-</u>	<u>-</u>	<u>(6,628,380)</u>
Total fund balances	<u>9,439,458</u>	<u>8,448,494</u>	<u>61,023,270</u>	<u>78,911,222</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 24,149,270</u>	<u>\$ 16,107,430</u>	<u>\$ 61,468,940</u>	<u>\$ 101,725,640</u>

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, 2020

Total fund balances - governmental funds	\$ 78,911,222
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.	100,363,581
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
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.	4,234,047
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Revenue bonds	<u>(116,092,000)</u>
Net position of governmental activities	<u>\$ 76,141,980</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

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

YEAR ENDED JUNE 30, 2020

	General	Debt service	Capital projects	Total governmental funds
Revenues:				
Sales taxes, net	\$ 14,574,153	\$ -	\$ -	\$ 14,574,153
Charges for services	3,286,256	-	-	3,286,256
Interest income	102,720	-	-	102,720
Hockey surcharge fee	160,248	-	-	160,248
Investment earnings	46,651	177,841	745,382	969,874
Total revenues	18,170,028	177,841	745,382	19,093,251
Expenditures:				
Downtown development	7,198,706	-	-	7,198,706
Capital outlay	794,756	-	8,291,561	9,086,317
Debt service:				
Principal	1,341,130	6,140,000	-	7,481,130
Interest	654,720	3,006,260	-	3,660,980
Debt issuance costs	-	512,247	-	512,247
Total expenditures	9,989,312	9,658,507	8,291,561	27,939,380
Revenues under expenditures	8,180,716	(9,480,666)	(7,546,179)	(8,846,129)
Other financing sources (uses):				
Construction loan proceeds (note 10)	2,144,512	-	-	2,144,512
Issuance of refunding loans (note 8)	-	50,262,000	70,000,000	120,262,000
Payment to refunded bond escrow agent (note 8)	-	(47,625,000)	-	(47,625,000)
Transfers in (out)	(7,411,997)	8,842,548	(1,430,551)	-
Total other financing sources	(5,267,485)	11,479,548	68,569,449	74,781,512
Net change in fund balances	2,913,231	1,998,882	61,023,270	65,935,383
Fund balances, beginning of year	6,526,227	6,449,612	-	12,975,839
Fund balances, end of year	\$ 9,439,458	\$ 8,448,494	\$ 61,023,270	\$ 78,911,222

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, 2020

Net change in fund balances - governmental funds	\$ 65,935,383
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	9,086,317
Depreciation expense	(5,280,173)
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.	(1,133,127)
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	(2,144,512)
Issuance of refunding loans	(120,262,000)
Payment to refunded bond escrow agent	47,625,000
Principal paid	7,481,130
Amortization of deferred loss on refunding	(846,810)
The forgiveness of the construction loan in the statement of activities does not provide current financial resources and, therefore, is not reported as revenues in the funds.	<u>41,277,799</u>
Change in net position of governmental activities	<u>\$ 41,739,007</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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) for 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 maximum 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, 2020

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, 2020

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 fund - accounts for the accumulation of resources for, and the payment of, principal and interest for revenue bonds and tax-exempt loans.

The capital projects fund - accounts for the tax-exempt loan proceeds to be used for the acquisition or construction of major capital assets relating specifically to the Tucson Convention Center (TCC).

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 and assumptions.

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. Further, certain amounts are maintained in separate bank accounts based on contractual requirements.

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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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

Capital assets:

Capital assets, which include land, construction in progress, buildings and improvements, land 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.

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
Land improvements	15 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 or fund balance 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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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

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.
- 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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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

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.

2. Cash and investments:

Deposits:

Unrestricted	\$ 6,293,823
Hockey surcharge restricted for future TCC capital improvements	319,395
Restricted for debt service requirements	16,107,430
Loan proceeds restricted for TCC capital improvements	61,468,940
Deposit held in escrow relating to Bautista project (note 12)	1,800,000
Restricted for use on the City Park project (note 12)	2,466,174
Restricted for collateral for Fox Tucson Theatre line of credit (note 12)	500,000
Other restricted cash	<u>24,502</u>
	<u>\$ 88,980,264</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 June 30, 2020, deposits with financial institutions have a carrying value of \$88,980,264 and a bank balance of \$89,846,257. The difference represents deposits in transit, outstanding checks, and other reconciling items. At June 30, 2020, approximately \$5,093,000 of the bank balance was unsecured and uncollateralized.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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, 2020, 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>	
2021	\$ -
2022	285,000
2023	285,000
2024	285,000
2025	285,000
2026 - 2030	1,425,000
2031 - 2035	1,425,000
2036 - 2040	1,425,000
2041 - 2043	<u>685,000</u>
	<u>\$ 6,100,000</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

4. Notes receivable:

Fox Tucson Theatre Foundation:

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. The Foundation made the scheduled payments of \$89,045 for 2018 and 2019. During the year, the Board agreed to give the Foundation a two-year deferral of payments, requiring that the amount be used for deferred maintenance instead. Payments will resume January 1, 2022. The outstanding balance was \$2,721,910 at June 30, 2020.

Monier Mixed-Use Project:

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%, and matures in October 2024. Interest earned on the note during 2020 was \$102,720, and no interest was received during 2020. No TIF revenue was earned on the property during 2020. The outstanding principal and interest balance was \$2,571,200 at June 30, 2020.

City Park Project:

The District has a note receivable with a developer of the City Park project. The note will be reduced by payments or TIF revenue earned on the property. The note accrues interest at 4%, and matures in March 2023. The borrower can take disbursements over the next three years up to \$2,600,000. As further discussed in note 12, \$1,300,000 will be converted to a grant if certain conditions are met by May 2021. Interest accrues and is due quarterly on the outstanding balance through March 2023, at which time principal and interest payments will begin. No TIF revenue was earned on the property during 2020. The outstanding principal and interest balance was \$137,484 at June 30, 2020.

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

YEAR ENDED JUNE 30, 2020

5. Capital assets:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 17,626,303	\$ 34,696	\$ -	\$ 17,660,999
Construction in progress	<u>115,908</u>	<u>5,018,691</u>	<u>-</u>	<u>5,134,599</u>
Total capital assets, not depreciated	<u>17,742,211</u>	<u>5,053,387</u>	<u>-</u>	<u>22,795,598</u>
Capital assets, depreciated:				
Buildings and improvements	94,857,328	3,207,191	-	98,064,519
Equipment	1,247,263	343,648	-	1,590,911
Land improvements	<u>443,554</u>	<u>482,091</u>	<u>-</u>	<u>925,645</u>
Total capital assets, depreciated	<u>96,548,145</u>	<u>4,032,930</u>	<u>-</u>	<u>100,581,075</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,254,328)	(5,050,461)	-	(22,304,789)
Equipment	(478,591)	(178,287)	-	(656,878)
Land improvements	<u>-</u>	<u>(51,425)</u>	<u>-</u>	<u>(51,425)</u>
Total accumulated depreciation	<u>(17,732,919)</u>	<u>(5,280,173)</u>	<u>-</u>	<u>(23,013,092)</u>
Total capital assets, depreciated, net	<u>78,815,226</u>	<u>(1,247,243)</u>	<u>-</u>	<u>77,567,983</u>
Total capital assets, net	<u>\$ 96,557,437</u>	<u>\$ 3,806,144</u>	<u>\$ -</u>	<u>\$ 100,363,581</u>

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, 2020, amounts due on the series 2019 loans and series 2017 revenue bonds will be paid from restricted cash and investments with fiscal agent.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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>
Tax-exempt loans, series 2019A	\$ -	\$ 99,262,000	\$ (4,746,000)	\$ 94,516,000	\$ 4,664,000
Tax-exempt loans, series 2019B	-	21,000,000	(1,204,000)	19,796,000	1,183,000
Revenue bonds, series 2016A	34,020,000	-	(34,020,000)	-	-
Revenue bonds, series 2016B	13,605,000	-	(13,605,000)	-	-
Revenue bonds, series 2017, tax exempt	1,970,000	-	(190,000)	1,780,000	195,000
Construction loan	<u>40,474,417</u>	<u>2,144,512</u>	<u>(42,618,929)</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,069,417</u>	<u>\$ 122,406,512</u>	<u>\$ (96,383,929)</u>	<u>\$ 116,092,000</u>	<u>\$ 6,042,000</u>

The District follows a historical policy that reports payments scheduled to be made in July 2021 as due within one year.

8. Tax-exempt loans:

On August 1, 2019, the District issued \$120,262,000 in Series 2019A and 2019B private placement tax exempt loans to refund \$47,625,000 of outstanding 2016A and 2016B Series bonds, and to finance certain new capital projects related to the Tucson Convention Center. During the year, 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.

The District refunded the 2016 Series bonds to gain access to the additional proceeds for capital improvements and consolidate payments. The difference in future cash flows and economic gain are not material to the financial statements as a whole.

The 2016 Series bonds were a refunding of prior bonds. The difference between the reacquisition price and the net carrying amount of the prior refunded debt is recorded as a deferred outflow of resources and is being amortized to interest expense on a straight-line basis through fiscal year 2025, the remaining life of the original amortization period.

Principal and interest on the Series 2019A and 2019B loans are payable semiannually on July 15 and January 15 each year through July 15, 2035, with an interest rate of 2.69%. The District has pledged to the trustee future sales tax revenues to repay the loans.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

8. Tax-exempt loans (continued):

Future principal and interest payments on the series 2019A and 2019B loans are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,847,000	\$ 3,074,993	\$ 8,921,993
2022	6,004,000	2,917,709	8,921,709
2023	6,166,000	2,756,201	8,922,201
2024	6,332,000	2,590,336	8,922,336
2025	6,502,000	2,420,005	8,922,005
2026 - 2030	35,231,000	9,380,380	44,611,380
2031 - 2035	<u>48,230,000</u>	<u>4,379,939</u>	<u>52,609,939</u>
	<u>\$ 114,312,000</u>	<u>\$ 27,519,563</u>	<u>\$ 141,831,563</u>

9. Revenue bonds:

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>
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	225,000	34,200	259,200
2026 - 2028	<u>725,000</u>	<u>52,740</u>	<u>777,740</u>
	<u>\$ 1,780,000</u>	<u>\$ 299,880</u>	<u>\$ 2,079,880</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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. 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 from Caterpillar to finance certain costs related to the construction and development of corporate offices for Caterpillar. In connection with the loan, the District entered into a triple net lease with Caterpillar to lease the newly constructed facility from the District. The lease payments the District was scheduled to receive from Caterpillar were in the same amount as the loan payments the District was going to make to Caterpillar.

During the year, Caterpillar entered into a Loan Forgiveness Agreement with the District that was effective January 31, 2020. Caterpillar forgave the outstanding principal of \$41,258,00 and accrued interest of \$20,000 on the loan and the lease was amended to reduce the required monthly payments to \$1. The loan forgiveness and lease modification had no economic impact on the District and no impact on future net cash flows.

The loan forgiveness has been recorded as general revenues on the statement of activities under the accrual basis of accounting, This transaction had no impact on the modified accrual basis of accounting.

11. Charges for services:

The District leases the TCC to the City. The current lease agreement expires January 1, 2050 or upon termination of the District. The City is responsible for paying all taxes, insurance and maintenance expenses that arise from the use of the property. Lease payments of approximately \$1,103,000 per year through June 30, 2025 have been prepaid by the City. The rent prepaid from the City of \$5,518,125 is recorded as unearned rent revenue at June 30, 2020 on the statement of net position. 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. Rental income attributable to this lease was \$1,103,333 for 2020.

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 2020.

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 2020.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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 original lease required payments to match the District's required loan payments. Rental income attributable to this lease was \$2,060,793 for 2020, which represents rent receipts through January 2020. As noted in footnote 10, the lease was amended during the year and now requires minimal monthly payments. The lease is a 15-year triple net lease through May 2034.

The District received additional miscellaneous rental fees of \$25,542 during 2020.

12. Commitments and contingencies:

Commitments:

Project	Approved commitment	Remaining commitment at June 30, 2020
City Park	\$ 2,600,000	\$ 2,466,174
Hexagon	1,289,500	558,335
Sunshine Mile - Bungalow Relocation	1,700,000	354,613
El Presidio	450,000	433,000
123 S. Stone Avenue	275,000	275,000
75 E. Broadway	3,400,000	3,059,000
930 E. Broadway - Volvo Site	2,100,000	2,100,000
TCC capital cost surcharge recovery fee	400,000	400,000
Rocco's Pizza	500,000	500,000
Bautista	2,800,000	2,800,000
124 E. Broadway	1,750,000	1,750,000
Lerua's Restaurant	500,000	500,000
	17,764,500	15,196,122
Commitments deferred to a future date	3,100,000	3,083,000
	\$ 14,664,500	\$ 12,113,122

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

12. Commitments and contingencies (continued):

Commitments (continued):

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 October 2019, the Board approved a modification to the agreement, reducing the loan amount to \$1,300,000 and converting the remaining \$1,300,000 to a grant that does not have to be repaid if the developer can meet certain requirements by May 2021. If the requirements are not met, the grant will convert back to a loan. The District has transferred the amount committed to the City Park project to a separate bank account, the balance in the restricted cash account at June 30, 2020 is \$2,466,174.

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. This one-time payment was made in the current year, therefore, the remaining commitment is related to parking assistance.

The Board approved spending \$1,700,000 to move properties in the Sunshine Mile to accommodate the City's Broadway Blvd. widening project.

In May 2018, the Board approved spending up to \$450,000 to renovate the Presidio Duplex, a property owned by the District. This project has been deferred and is not anticipated to proceed for at least a year.

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 a 25-year 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 required to pay rent of \$189,000 per year once construction starts on the property 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, of which approximately \$59,000 remains to be spent at June 30, 2020.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

12. Commitments and contingencies (continued):

Commitments (continued):

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 project has been deferred and is not anticipated to proceed for at least a year.

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 \$160,248 for 2020. The District is required to fund a capital reserve with 50% of the Capital Cost Surcharge Recovery fee received. The balance in the restricted cash account at June 30, 2020 is \$319,395. Subsequent to year end, the District transferred the current year allocation of \$80,000 to the restricted cash account. The cost of improvements or replacements greater than \$50,000 are to be funded from the capital reserve in the future.

In September 2019, the Board approved \$500,000 for Rocco's Pizza to help with relocation due to the Broadway Blvd. widening project. No formal agreements have been signed and the commitment is not expected to be funded within the next fiscal year.

In November 2019, the Board approved \$2,800,000 for the Bautista project. The District will purchase the land for the project and lease it back to the developer. The land is valued at \$7,250,000. The District will fund the purchase with \$1,800,000 cash, \$1,000,000 loan payable to the seller due over 2 years, and \$4,450,000 to be received from the developer as prepayment of rent. The \$1,800,000 cash is held in an escrow account at June 30, 2020 and included with restricted cash.

In April 2020, the Board approved a loan of \$1,750,000 for 124 E. Broadway to help the developer create new restaurant and retail space. The project will provide tax rebate incentives that can be used to reduce the outstanding loan balance. Approximately \$1,200,000 is expected to be funded in the next twelve months, and the remaining amount will be funded in the next 18 months.

In May 2020, the Board approved \$500,000 for Lerua's Restaurant to help with relocation due to the Broadway Blvd. widening project. No formal agreements have been signed and the commitment is expected to be funded within the next fiscal year.

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 June 30, 2020, 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, 2020

12. Commitments and contingencies (continued):

Tax rebates (continued):

	<u>Governmental activities</u>
Gross sales tax revenue	\$ 14,248,608
less: project rebates	(692,583)
less: incentive rebates	<u>(115,000)</u>
Net sales tax revenue	<u>\$ 13,441,025</u>
Gross sales tax receivable	\$ 1,620,303
Less: rebates due to merchants	<u>(537,076)</u>
Net sales tax receivable	<u>\$ 1,083,227</u>

As of June 30, 2020, the District has approved the following TIF rebate agreements:

Project	Rebates generated by project during the year	Cumulative rebates generated by project as of June 30, 2020	Project Rebate Cap	Project Rebate Minimum
AC Marriott and adjacent retail properties	\$ 222,000	\$ 1,616,000	\$ 7,750,000	\$ -
Mercado Annex	32,000	48,000	2,200,000	-
City Park	-	-	1,300,000	-
Brings Building	21,000	21,000	1,860,000	-
Congress Street Block (98 - 130 E. Congress)	30,000	30,000	10,600,000	-
44 East Broadway	-	-	4,500,000	-
TCC Hotel - Double Tree by Hilton	219,000	219,000	4,600,000	2,500,000
123 S. Stone Avenue	-	-	1,775,000	-
Toole & 7th Avenue	-	-	2,000,000	-
Hilton Hotel at Cathedral Square	167,000	167,000	6,850,000	-
Monier Mixed-Use Project	-	-	2,400,000	-
930 E. Broadway - Volvo site	-	-	1,300,000	-
1 S. Church Avenue	-	-	1,000,000	-
124 E. Broadway	-	-	1,750,000	-
117 Sixth Avenue	2,000	2,000	250,000	-
	<u>\$ 693,000</u>	<u>\$ 2,103,000</u>	<u>\$ 50,135,000</u>	<u>\$ 2,500,000</u>

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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, 930 E. Broadway, and 124 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 July 2016, the Board approved \$2,600,000 for the City Park project. In October 2019, the Board approved a modification to the agreement, reducing the loan amount to \$1,300,000 and converting the remaining \$1,300,000 to a grant that does not have to be repaid if the developer can meet certain requirements by May 2021. The loan can be reduced with TIF revenue the District receives on the property over a 12-year period.

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 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. The loan is not expected to be funded in next fiscal year.

In April 2020, the Board approved a loan of \$1,750,000 for 124 E. Broadway. The loan can be reduced with TIF revenue the District receives on the property over the term of the loan, subject to a maximum.

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.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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.

Nonexchange financial guarantee:

At June 30, 2020, the District is contingently liable as guarantor on a \$500,000 line of credit between National Bank of Arizona and the Fox Tucson Theatre Foundation. The loan charges interest at 2.85% and matures in April 2022. At June 30, 2020, there was no outstanding balance on the loan. As of June 30, 2020, the District has not been required to, nor anticipates being required to perform on this guarantees.

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.

COVID-19:

The COVID-19 outbreak in the United States has caused business disruption. The extent of the COVID-19 impact on operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial statements is uncertain.

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, 2020, sales tax revenue comprised 75% of revenues, excluding the gain on forgiveness of loan payable, and Caterpillar lease revenue comprised 11% of revenues, excluding the gain on forgiveness of loan payable, 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, 2020

	<u>Budgeted amounts</u>			<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes, net	\$ 15,000,000	\$ 15,000,000	\$ 14,574,153	\$ (425,847)
Charges for services	3,667,189	3,667,189	3,286,256	(380,933)
Interest income	-	-	102,720	102,720
Hockey surcharge fee	200,000	200,000	160,248	(39,752)
Investment earnings	218,400	218,400	969,874	751,474
Fox Theatre	<u>89,045</u>	<u>89,045</u>	<u>-</u>	<u>(89,045)</u>
Total revenues	<u>19,174,634</u>	<u>19,174,634</u>	<u>19,093,251</u>	<u>(81,383)</u>
Expenditures:				
Downtown development	2,349,600	2,349,600	7,198,706	(4,849,106)
Capital outlay	3,458,963	3,458,963	9,086,317	(5,627,354)
Debt service	<u>13,366,071</u>	<u>13,366,071</u>	<u>11,654,357</u>	<u>1,711,714</u>
Total expenditures	<u>19,174,634</u>	<u>19,174,634</u>	<u>27,939,380</u>	<u>(8,764,746)</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(8,846,129)</u>	<u>(8,846,129)</u>
Other financing sources:				
Construction loan proceeds	-	-	2,144,512	2,144,512
Issuance of refunding loans	-	-	120,262,000	120,262,000
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>(47,625,000)</u>	<u>(47,625,000)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>74,781,512</u>	<u>74,781,512</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,935,383</u>	<u>\$ 65,935,383</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, the issuance of tax exempt loans, or the corresponding amount for planned capital outlay. At the time of budgeting, the District was considering loans as a method to finance the TCC related planned capital outlays and that would not require use of current financial resources.

**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, 2020, 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 19, 2020.

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
October 19, 2020