Rio Nuevo District Update Fiscal 2023

Post covid, the Rio Nuevo District (District) has never been busier, and we are seeing record revenue every month. Over ten years ago, the District chose to focus on public/private partnerships and invest along with private developers and commercial lenders to activate Tucson's downtown. The original version of Rio Nuevo, 1999-2009, was entirely focused on government owned and operated facilities and issued nearly $200,000,000 of bond debt only to collapse after ten years, having never built anything. Those original plans included an aquarium, a science center, a recreated convent on the site of the 18th century convent, an Indian village, the Mission Garden, and other projects that were all abandoned due to the westside site being the original Tucson area un-remediated landfill. The state legislature seized District control in 2010 and the current board moved to the PPP (public, private, partnership) model in 2012.

Since then, the District has launched several projects, attracted over a billion dollars of private investment, doubled the tax base, and has come to thrive post pandemic as Tucson, particularly downtown Tucson, was identified as one of the top five relocation destinations in the aftermath of the coronavirus pandemic. This update focuses on the projects launched and the work done post covid 2023.

The chart below shows the economics of public/private partnership model to date.

Year	Rio Nuevo Investment	Private Sector Investment
2000-2010	156.7M	0
2010	71.2M	0
2013	33.5M	0
2016	12.3M	180.2M
2019	58.4M	498.6M
2022	37.8M	443.6M
Pre-State Take-Over	261.4M	0
Post-State Take-Over	108.5M	1,122.4M

TIF Revenue 2013-2023

Fiscal Year	TIF Revenue
FYE 6/30/13	9,852,901.02
FYE 6/30/14	9,051,825.02
FYE 6/30/15	9,768,292.49
FYE 6/30/16	12,443,082.47
FYE 6/30/17	12,065,351.76
FYE 6/30/18	13,595,905.06
FYE 6/30/19	15,977,192.89
FYE 6/30/20	14,248,608.07
FYE 6/30/21	9,711,834.04
FYE 6/30/22	17,001,309.24
FYE 6/30/23	17,296,388.70

Project 1- The Corbett Block

The Corbett Lumber Company was built in 1930 and was closed and vacated in 1965, sitting vacant for over 50 years at the northern edge of the District.

The warehouse and adjacent block were acquired by developer Scott Stiteler who developed the AC Marriott Downtown and a full block of Congress Street restaurants, helping to launch the robust revitalization of downtown Tucson in 2012.

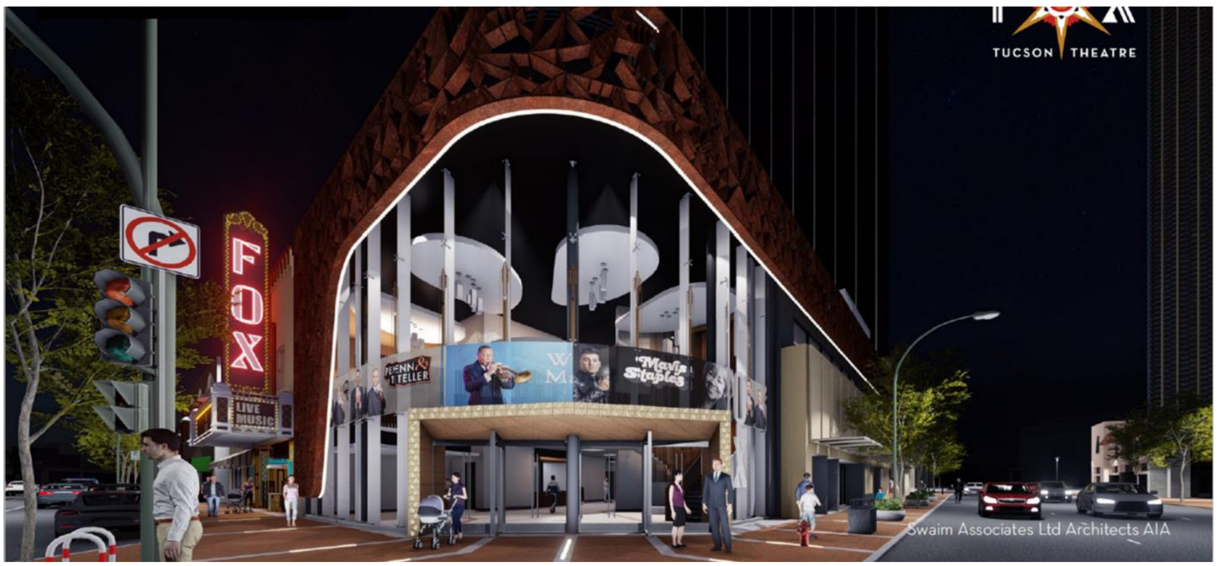
The new Corbett now houses five pickleball courts, two of them indoors, onsite parking, a new restaurant, and an outdoor beer garden and music venue. The entire facility opened at the end of August 2023.

Rio Nuevo partnered with the developer by providing $1,700,000; meanwhile, the developer provided $15,500,000 to renovate the vacant property into a sales tax juggernaut, forecasting annual revenue of over $12,000,000, all from a vacant, run down property.

Boarded up over 20 years

Project 2-[Fox Theater Expansion]

The Fox Theatre is acquiring the entire adjacent block and launching an iconic expansion that will become Tucson's Carnegie Hall, opening 2025-2026. The theatre proper is a 1,100-seat venue in the middle of the block that was built in 1929. The Fox has become the go to music venue in Tucson producing one sold out show after another. The District invested in the expansion that will create a new restaurant, lobby, and rooftop bar by acquiring and tearing down adjacent properties. The cost to the Fox for the acquisition and renovation of 3 adjacent properties is $26,300,000. The District has committed $2,000,000 at $250,000 per quarter, subject to their capital campaign matching the District's contribution(s). New revenue from the addition is estimated to be $3,700,000 annually, producing $190,000 of additional state TPT receipts.



Project 3- [Indian Trading Post Activation]

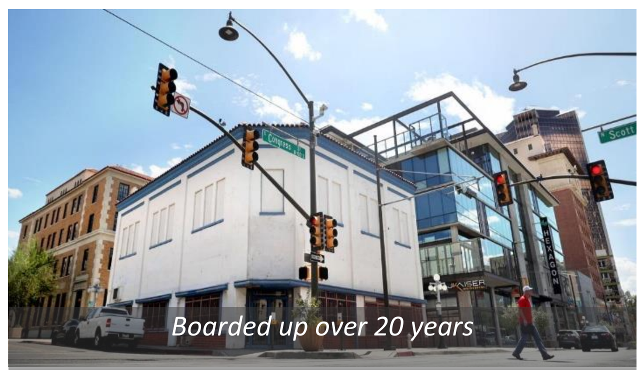
The famous Indian Trading Post building, built in 1897, is located at 72 E. Congress Street and has sat vacant for over 20 years. It is a three story, turn of the century building consisting of a basement, ground floor, and upper floor estimated at 10,000 square feet. Identifying the building as rough is generous. It is basically a dirt floor brick structure with 4 walls. The building is registered as a national landmark, so demolition is not an option.

To entice a developer to improve the trading post property, which no one has been willing to do without the District's support, we agreed to do a GPLET/Development Agreement with $2MM in support as follows:

- $500,000 in the form of a 5-year promissory note at 8% interest to acquire the property from an affiliate of Bourn Properties; thus, the property is currently owned by RN;
- $1MM in renovation reimbursements to essentially bring the ITP building up to gray shell; and
- $500,000 in tenant improvements to essentially bring the ITP building up to vanilla shell.

The developer expects to spend close to $6,000,000 to open a high-end restaurant and lounge producing over $7,000,000 a year in new, taxable revenue annually.

Circa 1957

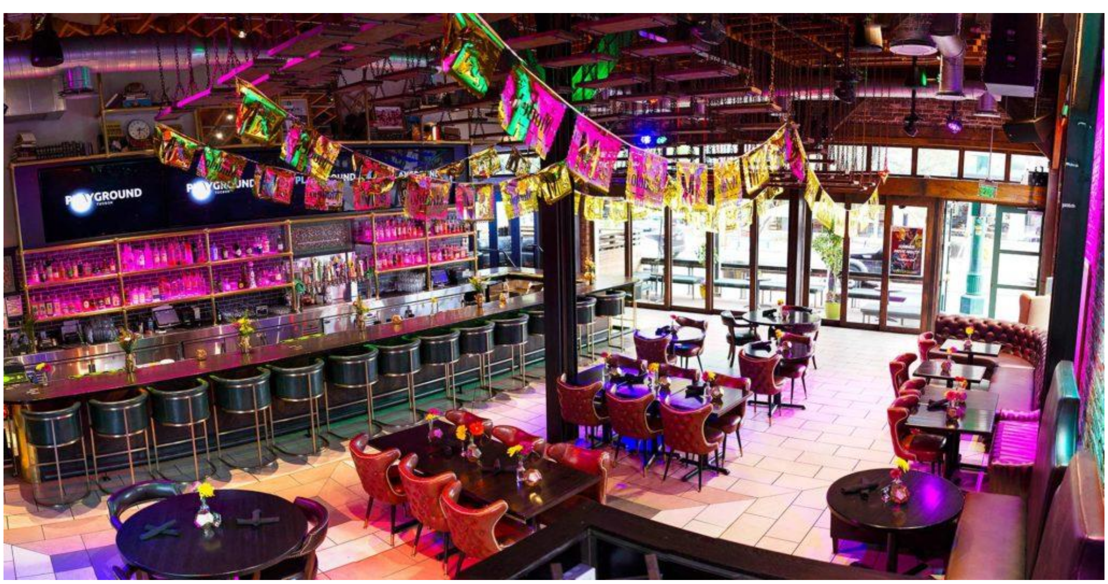

Boarded up over 20 years

Proposed

Project 4- Playground Restaurant and Bar Expansion

The Playground was one of the first restaurants to open on Congress Street in 2012. The District agreed to help accelerate their expansion plans by contributing roughly half of the tenant improvement cost. The current expansion adds a rooftop bar and music venue, additional seating, and private event space at a total cost of $1,700,000 with the District contributing $823,000. Revenue is forecast at $3,300,000 annually, producing $171,000 of new state TPT tax, a 21% annual return on investment.

Playground rooftop



Project 5- The Sosa Carrillo House

The District's investment in this historic 1897 property during 2023 was only \$100,000 but given that the District has committed to spend \$1,000,000 in renovating the 19th century property, we have included the project into the JCCR report.

The Sosa Carrillo House is one of Tucson's original adobe homesteads that survived the midcentury demolition of barrio homes to make way for the Tucson Convention Center, built in 1966. The City of Tucson deeded the home to the Arizona State Historical Society while building the 27-acre convention center complex around it. Unfortunately, the historical society has not been able to spend a dollar renovating or maintaining this iconic property. Given that the District elected to save the Convention Center and improve the arena, music hall and plaza, this home became an eye sore in the middle of the new campus. Since the home was state owned the Attorney General deemed the property had to be sold for appraised value, which was over \$1,100,000. Ultimately the State and the District reached an agreement that allowed the District to acquire the property for \$100,000 in cash and a commitment to invest \$1,000,000 into the renovations.

The preserved home will become a new museum and private event space available for meetings, weddings, and other events producing taxable revenue as part of the TCC complex.

Other Projects – Non-TIF Funding

Crescent Smoke Shop

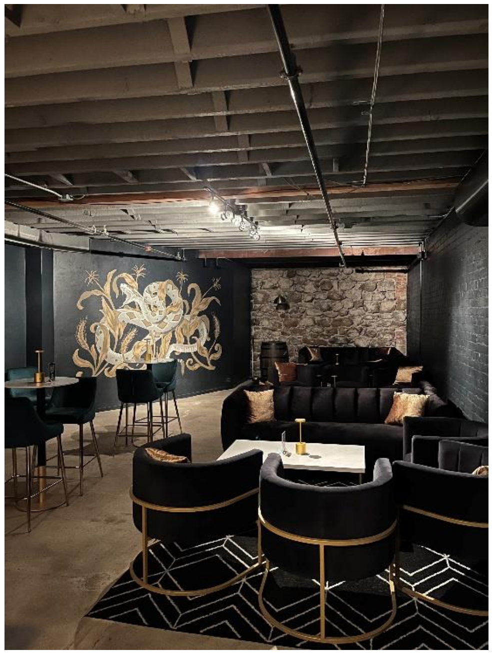
The District leased the long vacant former smoke shop at the corner of Congress and 6th Avenue. Investment included $100,000 in tenant improvements and has received several proposals to sublease the space as retail.

350 Congress

Rio Nuevo District committed $160,000 for Las Vegas restaurateur and celebrity chef Antonio Nunez to reconstitute the former Funky Monk Bar and Restaurant into a new breakfast and brunch concept called 350 Congress.

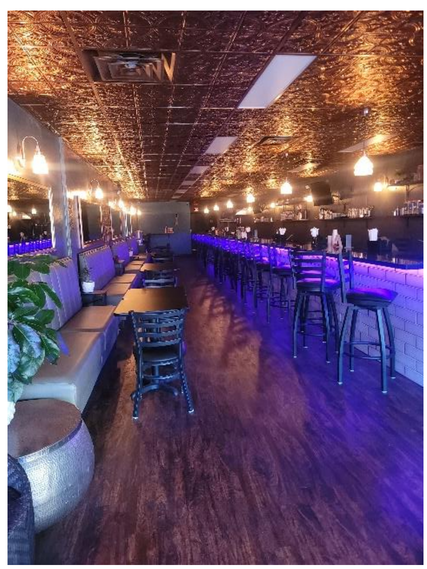
Batch Whiskey & Donuts

Rio Nuevo committed $250,000, about 10% of the total cost, for Batch to expand into their vacant basement creating a tavern-style bar Snake & Barrel.



Kava Den

The District invested $150,000 in the renovation of the vacant storefront to house a second location of the popular Kava Bar, serving non-alcoholic drinks using kava.



La Estrella Bakery

Rio Nuevo committed $200,000 to attract the very popular local Mexican bakery to the vacant retail space at the newly opened Hampton Inn Hotel.

Le Macaron

The District committed $93,000 to bring the national bakery to downtown Tucson.

Obon Sushi

Rio Nuevo committed $195,000 to double the size of the very popular local sushi restaurant located at the entry into downtown Tucson.

Proper Shops

The District committed $80,000 to open a collective of local retail shops in the vacant storefront at Congress and 5th Avenue, the first new retail downtown in over ten years.

Whole Slvce Pizza

Rio Nuevo committed $138,000 to help restauranteur Ari Shapiro expand into the ground floor of the new Monier apartments on Tucson's west side.

Sonora Moonshine

Borderlands Brewery is opening a new bar and restaurant in the heart of downtown. The new restaurant, Sonora Moonshine, will offer an agave-driven cocktail menu, outdoor patio, and basement speakeasy. Rio Nuevo provided up to $380,000 for the new project.

Children's Museum

The Children's Museum is expanding to an adjacent historic building and includes plans for a new café in partnership with El Charro. The District is assisting the Museum with up to $417,000 to acquire and build the expansion.

Carriage House

The District provided up to $38,000 to the El Charro Family with a patio extension for their Carriage House, a special event social venue.

Basqueria

Owners of the successful Urban Pita are opening Basqueria, a new restaurant highlighting various homemade pintxos, traditional Spanish bites. Rio Nuevo provided up to $95,000 with the new restaurant.

Rio Nuevo Multipurpose Facilities District

Year Ended June 30, 2023

BeachFleischman
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Rio Nuevo Multipurpose Facilities District

Year Ended June 30, 2023

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Rio Nuevo Multipurpose Facilities District's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rio Nuevo Multipurpose Facilities District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rio Nuevo Multipurpose Facilities District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Rio Nuevo Multipurpose Facilities District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rio Nuevo Multipurpose Facilities District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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's discussion and analysis 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 opinion on the basic financial statements is 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 14, 2023, 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 solely 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 the effectiveness of Rio Nuevo Multipurpose Facilities District's 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.

BeachFleischman PLLC

Tucson, Arizona
November 14, 2023

Rio Nuevo Multipurpose Facilities District

Statement of Net Position

June 30, 2023

	Governmental activities
Assets:	
Cash and investments (note 2)	$ 9,299,928
Sales tax receivable, net	3,273,439
Other receivables	290,621
Other current assets	129,141
Due from City of Tucson (note 3)	930,000
Notes receivable (note 4)	6,824,426
Leases receivable (note 5)	1,182,092
Cash and investments, restricted (note 2)	19,167,643
Capital assets, not depreciated (note 6)	30,566,114
Capital assets, depreciated, net (note 6)	119,700,345
Total assets	191,363,749
Deferred outflows of resources:	
Deferred charge on refunding of debt (note 9)	1,693,617
Total deferred outflows of resources	1,693,617
Liabilities:	
Accounts payable	303,579
Accrued expenses	321,352
Liabilities payable from restricted assets (note 7)	7,664,733
Unearned revenue	527,083
Noncurrent liabilities:	
Due within one year (note 8)	7,885,849
Due in more than one year (note 8)	93,914,991
Total liabilities	110,617,587
Deferred inflows of resources:	
Deferred inflows related to leases (note 5)	7,818,727
Total deferred inflows of resources	7,818,727
Commitments and contingencies	
Net position:	
Net investment in capital assets	55,275,349
Restricted for debt service	7,962,005
Unrestricted	11,383,698
Total net position	$ 74,621,052

See notes to financial statements.

Rio Nuevo Multipurpose Facilities District

Statement of Activities

Year Ended June 30, 2023

	Governmental activities
Expenses:	
Downtown development:	
Advertising and promotions	$ 964,194
Business improvement district tax	216,740
Depreciation and amortization	7,745,138
Grants and project support	5,616,404
Insurance	83,557
Other	117,957
Professional and consulting	1,598,056
Salaries and wages	85,364
Interest	3,713,943
Total program expenses	20,141,353
Program revenues:	
Charges for services	1,232,705
Net program expense	18,908,648
General revenues:	
Sales taxes, net	16,107,835
Interest income	172,720
Hockey surcharge fee	201,750
Investment earnings	583,970
Total general revenues	17,066,275
Special items:	
Forgiveness of Fox receivable (note 4)	(2,721,910)
Total special items	(2,721,910)
Change in net position	(4,564,283)
Net position, beginning of year	79,185,335
Net position, end of year	$ 74,621,052

Rio Nuevo Multipurpose Facilities District

Balance Sheet - Governmental Funds

June 30, 2023

Assets

	General	Debt service	Capital projects	Total governmental funds
Assets:				
Cash and investments	$ 9,299,928	$ -	$ -	$ 9,299,928
Sales tax receivable, net	3,273,439	-	-	3,273,439
Other receivables	290,621	-	-	290,621
Other current assets	129,141	-	-	129,141
Due from City of Tucson	930,000	-	-	930,000
Notes receivable	6,824,426	-	-	6,824,426
Leases receivable	1,182,092	-	-	1,182,092
Cash and investments, restricted	1,963,587	15,626,738	1,577,318	19,167,643
Total assets	$ 23,893,234	$ 15,626,738	$ 1,577,318	$ 41,097,290

Liabilities, Deferred Inflows of Resources and Fund Balances

	General	Debt service	Capital projects	Total governmental funds
Liabilities:				
Accounts payable	$ 107,773	$ -	$ 195,806	$ 303,579
Accrued expenses	321,352	-	-	321,352
Liabilities payable from restricted assets	-	7,664,733	-	7,664,733
Unearned revenue	527,083	-	-	527,083
Total liabilities	956,208	7,664,733	195,806	8,816,747
Deferred inflows of resources:				
Unavailable revenue - due from City of Tucson	930,000	-	-	930,000
Deferred inflows related to leases	7,818,727	-	-	7,818,727
Total deferred inflows of resources	8,748,727	-	-	8,748,727
Commitments and contingencies				
Fund balances:				
Nonspendable	129,141	-	-	129,141
Restricted:				
Debt service	-	7,962,005	-	7,962,005
Capital improvements	-	-	1,381,512	1,381,512
Committed	15,369,243	-	-	15,369,243
Unassigned	(1,310,085)	-	-	(1,310,085)
Total fund balances	14,188,299	7,962,005	1,381,512	23,531,816
Total liabilities, deferred inflows and fund balances	$ 23,893,234	$ 15,626,738	$ 1,577,318	$ 41,097,290

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, 2023

Total fund balances - governmental funds	$	23,531,816
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.		150,266,459
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Due from City of Tucson		930,000
Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds.		1,693,617
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Bonds, loans, and notes payable		(101,109,282)
Leases payable		(691,558)
Net position of governmental activities	$	74,621,052

Rio Nuevo Multipurpose Facilities District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2023

	General	Debt service	Capital projects	Total governmental funds
Revenues:				
Sales taxes, net	$ 16,107,835	$ -	$ -	$ 16,107,835
Charges for services	1,232,705	-	-	1,232,705
Interest income	172,720	-	-	172,720
Hockey surcharge fee	201,750	-	-	201,750
Investment earnings	257,087	287,930	38,953	583,970
City of Tucson	285,000	-	-	285,000
Total revenues	18,257,097	287,930	38,953	18,583,980
Expenditures:				
Downtown development	8,682,272	-	-	8,682,272
Capital outlay	2,704,908	-	2,530,867	5,235,775
Debt service:				
Principal	30,937	6,376,000	-	6,406,937
Interest	54,560	2,812,573	-	2,867,133
Total expenditures	11,472,677	9,188,573	2,530,867	23,192,117
Revenues over (under) expenditures	6,784,420	(8,900,643)	(2,491,914)	(4,608,137)
Other financing sources (uses):				
Issuance of notes payable	2,658,438	-	-	2,658,438
Lease agreements	708,339	-	-	708,339
Transfers in (out)	(8,368,338)	8,368,338	-	-
Total other financing sources	(5,001,561)	8,368,338	-	3,366,777
Net change in fund balances	1,782,859	(532,305)	(2,491,914)	(1,241,360)
Fund balances, beginning of year	12,405,440	8,494,310	3,873,426	24,773,176
Fund balances, end of year	$ 14,188,299	$ 7,962,005	$ 1,381,512	$ 23,531,816

See notes to financial statements.

Rio Nuevo Multipurpose Facilities District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net change in fund balances - governmental funds	$	(1,241,360)
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		5,235,775
Depreciation expense		(7,745,138)
Changes in the Due from City of Tucson receivable provide current financial resources and, therefore, are reported as revenue in the governmental funds.		(285,000)
Forgiveness of the long-term Fox note receivable does not provide current financial resources and, therefore, are not reported as revenue in the governmental funds.		(2,721,910)
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:		
Issuance of notes payable		(2,658,438)
Leases issued		(708,339)
Principal paid		6,406,937
Amortization of deferred loss on refunding		(846,810)
Change in net position of governmental activities	$	(4,564,283)

See notes to financial statements.

Notes to Financial Statements

Year Ended June 30, 2023

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. 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.

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

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

Government-wide and fund financial statements (continued):

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. The District's major revenue sources that are susceptible to accrual are tax revenues, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, lease liabilities, 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 and acquisitions under lease contracts 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.

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).

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. Management evaluates its estimates and assumptions on an ongoing basis. 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 statement of financial position and 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.

Capital assets:

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

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

Capital assets (continued):

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

Land	Not depreciated
Buildings and improvements	10 to 50 years
Equipment	6 years
Land improvements	15 years
Right-to-use leased assets:	
Buildings and improvements	5 years

Intangible right-to-use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Long-term obligations:

In the government-wide financial statements, long-term debt, lease liabilities, 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.

Leases:

Lessee:

The District is a lessee for noncancellable leases of buildings**.** The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

Leases (continued):

Lessee (continued):

Key estimates and judgments related to leases include how the District determines the discount rate it uses to discount the expected lease payments to present value, the lease term, and the lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

The District is a lessor for certain noncancelable leases of land and buildings. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments under the lessee.

The District monitors changes in circumstances that would require a remeasurement of the lease, and will remeasure the lease receivable and deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable.

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

Deferred outflows and inflows of resources:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding reported in the government-wide statement of net position resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the District reports deferred amounts related to leases. In the governmental funds balance sheet, the District also reports unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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

Fund balance (continued):

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

Net position:

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

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.

2. Cash and investments:

Deposits:

Unrestricted	$ 9,299,928
Hockey surcharge restricted for future TCC capital improvements	189,133
Restricted for debt service requirements	15,626,738
Bond proceeds restricted for TCC capital improvements	1,577,318
Note proceeds restricted for TCC IT infrastructure	1,624,909
Other restricted cash	149,545
	19,167,643
	$ 28,467,571

2. Cash and investments (continued):

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, 2023, deposits with financial institutions have a carrying value of $28,467,571 and a bank balance of $29,017,803. The difference represents deposits in transit, outstanding checks, and other reconciling items. At June 30, 2023, approximately $9,100,160 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. In October 2021, the agreement was further amended to reduce the remaining receivable by $4,600,000 for land received from the City on which the District constructed a parking garage for the TCC. The amendment requires annual payments of $150,000 beginning October 2040. 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, 2023, the outstanding balance receivable from the City was $930,000.

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

Year ending June 30,	
2024 - 2038	$ -
2039 - 2043	450,000
2044 - 2048	480,000
	$ 930,000

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 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 agreement called 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 2020, the Board agreed to give the Foundation a two-year deferral of payments, requiring that the amount be used for deferred maintenance instead.

In October 2022, the Board agreed to forgive the outstanding balance to support the Foundation's vision to expand and create a welcoming, sophisticated downtown performing arts and events destination. The outstanding balance at the time of forgiveness was $2,721,910 and is recorded as a special item on the statement of activities.

Monier Mixed-Use Project:

The District has a $2,400,000 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 matured in May 2023. Interest earned on the note during 2023 was $102,720, and no interest was received during 2023. No TIF revenue was earned on the property during 2023. The outstanding principal and interest balance was $2,879,360 at June 30, 2023. This note was repaid in September 2023.

Julian Drew Project:

The District has a $1,750,000 note receivable with a developer of the Julian Drew Project. The note will be reduced by payments or TIF revenue earned on the property. The note accrues interest at 4%, matures March 2041, and is personally guaranteed. Interest earned on the note during 2023 was $70,000. No interest was received during 2023. No TIF revenue was earned on the property during 2023. The outstanding principal and interest balance was $1,907,500 at June 30, 2023.

Mercado Annex Project:

The District has a $2,200,000 note receivable with a developer of the Mercado Annex Project. The note will be reduced by payments or TIF revenue earned on the property. The note does not accrue interest and matures September 2031. Approximately $59,000 of TIF revenue was earned on the property during 2023. The outstanding principal balance was $2,037,566 at June 30, 2023.

5. Leases receivable:

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; therefore, no lease receivable is recorded for this lease. At June 30, 2023, the rent prepaid from the City of $2,206,666 is recorded as a deferred inflow of resources and will be recognized as revenue over the lease term. Lease payments from July 1, 2025 through the end of the lease are variable based on a revenue sharing calculation up to a maximum, as defined in the agreement. Total lease-related revenues attributable to this lease was $1,103,333 for 2023, and is included with charges for services on the accompanying financial statements.

The District leases the land for the Bautista project to the developer. Lease payments of approximately $178,000 per year for the 25-year term have been prepaid by the developer; therefore, no lease receivable is recorded for this lease. The lease term is 25 years and will not commence until Certificate of Occupancy. Therefore, there was no lease-related revenues attributed to the lease in 2023, and the entire $4,450,000 is recorded as a deferred inflow of resources at June 30, 2023 and will be recognized as revenue over the lease term.

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, with monthly payments of $6,333. The District recognized $87,520 of total lease-related revenues for 2023. As of June 30, 2023, the District's receivable for lease payments was $1,182,092. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was $1,162,061.

6. Capital assets:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	$ 26,994,176	$ 225,010	$ -	$ 27,219,186
Construction in progress	6,392,858	4,091,301	(7,137,231)	3,346,928
Total capital assets, not depreciated	33,387,034	4,316,311	(7,137,231)	30,566,114
Capital assets, depreciated:				
Buildings and improvements	151,069,399	7,348,356	-	158,417,755
Equipment	1,910,340	-	-	1,910,340
Land improvements	932,562	-	-	932,562
Right-to-use assets	-	708,339	-	708,339
Total capital assets, depreciated	153,912,301	8,056,695	-	161,968,996

6. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Buildings and improvements	$ (33,271,493)	$ (7,444,674)	$ -	$ (40,716,167)
Equipment	(1,076,946)	(209,568)	-	(1,286,514)
Land improvements	(175,074)	(62,171)	-	(237,245)
Less accumulated amortization for:				
Right-to-use assets	-	(28,725)	-	(28,725)
Total accumulated depreciation and amortization	(34,523,513)	(7,745,138)	-	(42,268,651)
Total capital assets, depreciated, net	119,388,788	311,557	-	119,700,345
Total capital assets, net	$ 152,775,822	$ 4,627,868	$ (7,137,231)	$ 150,266,459

7. 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, 2023, amounts due on the series 2019 loans and series 2017 revenue bonds will be paid from restricted cash and investments with the fiscal agent.

8. Changes in noncurrent liabilities:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Tax-exempt loans, series 2019A	$ 85,063,000	$ -	$ (4,918,000)	$ 80,145,000	$ 5,051,000
Tax-exempt loans, series 2019B	17,398,000	-	(1,248,000)	16,150,000	1,281,000
Revenue bonds, series 2017, tax exempt	1,380,000	-	(210,000)	1,170,000	220,000
Bautista note payable	1,000,000	-	-	1,000,000	1,000,000
Note payable	-	2,658,438	(14,156)	2,644,282	207,307
Leases payable	-	708,339	(16,781)	691,558	126,542
	$104,841,000	$ 3,366,777	$ (6,406,937)	$101,800,840	$ 7,885,849

8. Changes in noncurrent liabilities (continued):

The District follows a historical policy that reports payments scheduled to be made in July 2024 as due within one year.

9. 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.

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.

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

Year ending June 30,	Principal	Interest	Total
2024	$ 6,332,000	$ 2,590,336	$ 8,922,336
2025	6,502,000	2,420,005	8,922,005
2026	6,677,000	2,245,101	8,922,101
2027	6,857,000	2,065,490	8,922,490
2028	7,041,000	1,881,036	8,922,036
2029 - 2033	38,151,000	6,490,062	44,641,062
2034 - 2035	24,735,000	1,108,630	25,843,630
	$ 96,295,000	$ 18,800,660	$ 115,095,660

The Series 2019A and 2019B loans require the District to be in compliance with a debt service coverage ratio of 1.10x. In the event the District's ratio falls below that threshold, the District is required to set aside sales tax revenues in a Revenue Stabilization Fund until the ratio has met the threshold.

10. 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 June 30,	Principal	Interest	Total
2024	$ 220,000	$ 42,120	$ 262,120
2025	225,000	34,200	259,200
2026	235,000	26,100	261,100
2027	240,000	17,640	257,640
2028	250,000	9,000	259,000
	$ 1,170,000	$ 129,060	$ 1,299,060

11. Bautista note payable:

In July 2020, the District purchased the land for the Bautista project and leased the land back to the developer. The land was valued at $7,250,000 and part of the purchase price was a $1,000,000 note payable to the seller due over 2 years. Interest accrues at 4% and all principal and interest was due in July 2022. The note was amended during the year to reduce the interest rate to 2.88%, and extend the maturity date to when the borrower has received $1,000,000 in TPT tax rebates relating to the construction and operation of the Bautista Apartments. No principal or interest payments were made during the year and the District has accrued $109,532 of interest, which is included with accrued expenses on the statement on net position.

Future principal payments of $1,000,000 and all accrued interest are expected to be paid in the year ending June 30, 2024.

12. Note payable:

In April 2023, the District borrowed $2,658,438 from Canyon Community Bank to finance technology improvements to the TCC. The note requires monthly principal and interest payments of $28,851. Interest is the greater of the prime rate (8.25% at June 30, 2023) plus 0.5% or 5.5%, with a maximum rate of 7.95%. All remaining principal and interest is due in May 2033.

12. Note payable (continued):

Future principal and interest payments on the note payable are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$ 207,307	$ 138,906	$ 346,213
2025	219,001	127,212	346,213
2026	231,354	114,859	346,213
2027	244,404	101,809	346,213
2028	258,191	88,022	346,213
2029 - 2023	1,484,025	204,726	1,688,751
	$ 2,644,282	$ 775,534	$ 3,419,816

13. Leases payable:

The District leases buildings under the provisions of various lease agreements. The total amount of lease assets and the related accumulated amortization are as follows:

Total right-to-use lease assets	$ 708,339
Less accumulated amortization	28,725
Carrying value	$ 679,614

The following schedule details minimum lease payments to maturity for the District's leases payable at June 30, 2023.

Year ending June 30,	Principal	Interest	Total
2024	$ 126,542	$ 23,160	$ 149,702
2025	133,385	18,443	151,828
2026	148,559	13,311	161,870
2027	155,520	7,775	163,295
2028	127,552	2,169	129,721
	$ 691,558	$ 64,858	$ 756,416

14. Commitments and contingencies:

Commitments:

Type of project:	Original approved commitment	Remaining commitment at June 30, 2023
Land/building purchase	$ 1,999,999	$ 1,747,714
Mixed-use developments	6,350,000	5,193,322
Parking assistance	850,000	350,000
Restaurants	5,590,572	4,173,766
Retail	768,000	681,903
Other	3,497,250	2,932,538
TCC capital cost surcharge recovery fee	290,000	290,000
	$ 19,345,821	$ 15,369,243

The Board has made various commitments to help developers within the District boundaries, with the goal of increasing sales tax revenues collections. The majority of the projects are expected to be funded within one to two years.

The Board has approved numerous projects to help new and existing restaurants with construction, remodeling, expansion, and other improvements. The Board has approved numerous projects to help with construction for new retail establishments. The Board has also committed to helping developers of mixed use projects, which typically include some form of retail and restaurants/bars.

From time to time to Board approves plans to provide parking assistant to encourage business to relocate to downtown Tucson, by supplementing a business' employee parking expenses at parking facilities owned by the City of Tucson or Pima County.

In March 2023, the Board committed to purchasing property at Congress and Scott for $1,500,000. This property was purchased in July 2023.

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 approximately $202,000 for 2023. 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, 2023 is $189,133. Subsequent to year-end, the District transferred the current year allocation of $101,000 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.

Subsequent to year-end, the District Board approved other commitments of approximately $1,188,000.

14. Commitments and contingencies (continued):

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, 2023, the related taxes receivable are reduced on the statement of net position.

	Governmental activities
Gross sales tax revenue	$ 17,296,389
Less: incentive rebates	(1,188,554)
Net sales tax revenue	$ 16,107,835
Gross sales tax receivable	$ 3,417,037
Less: rebates due to merchants	(143,598)
Net sales tax receivable	$ 3,273,439

As of June 30, 2023, 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, 2023	Project Rebate Cap	Project Rebate Minimum
AC Marriott and adjacent retail properties	$ 266,000	$ 2,195,000	$ 7,750,000	$ -
Mercado Annex	59,000	179,000	2,200,000	-
City Park	119,000	140,000	1,300,000	-
Brings Building	4,000	34,000	1,860,000	-
Congress Street Block (98 - 130 E. Congress)	3,000	34,000	10,600,000	-
44 East Broadway	-	-	4,500,000	-
TCC Hotel - Double Tree	259,000	823,000	4,600,000	2,500,000
123 S. Stone Avenue	-	-	1,775,000	-
Toole & 7th Avenue	35,000	37,000	2,000,000	-
Hilton Hotel at Cathedral Sq	180,000	628,000	6,850,000	-
Monier Mixed-Use Project	-	-	2,400,000	-
930 E. Broadway - Volvo site	-	-	1,700,000	-
1 S. Church Avenue	-	-	1,000,000	-
Julian Drew (124 E. Broadway)	257,000	257,000	1,750,000	-
117 Sixth Avenue	7,000	15,000	250,000	-

14. Commitments and contingencies (continued):

Tax rebates (continued):

Project	Rebates generated by project during the year	Cumulative rebates generated by project as of June 30, 2023	Project Rebate Cap	Project Rebate Minimum
Corbett Block	$ -	$ -	$ 4,417,190	$ -
La Buhardilla	-	-	675,000	-
Broadway and Plumer	-	-	3,000,000	-
	$ 1,189,000	$ 4,342,000	$ 58,627,190	$ 2,500,000

The District's 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, Monier Mixed-Use Project, and Julian Drew projects are not remitted to the developers, instead they reduce future obligations of the developers. As discussed in Note 4, the loans receivable for these projects will be reduced with TIF revenue the District receives on the property over the term of the note.

In May 2017, the Board approved an agreement with a developer that built 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.

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.

14. Commitments and contingencies (continued):

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.

Legal:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. 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.

15. 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, 2023, sales tax revenue comprised 88% of total revenues and TCC lease revenue comprised 6% 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 - General Fund and Debt Service Fund

Year Ended June 30, 2023

	Budgeted amounts			
	Original	Final	Actual	Variance with final budget
Revenues:				
Sales taxes, net	$ 14,160,000	$ 14,160,000	$ 16,107,835	$ 1,947,835
Charges for services	893,492	893,492	1,232,705	339,213
Interest income	-	-	172,720	172,720
Hockey surcharge fee	-	-	201,750	201,750
Investment earnings	-	-	545,017	545,017
Other	2,400,000	2,400,000	-	(2,400,000)
City of Tucson	-	-	285,000	285,000
Total revenues	17,453,492	17,453,492	18,545,027	1,091,535
Expenditures:				
Downtown development	5,204,350	5,204,350	8,682,272	(3,477,922)
Capital outlay	-	-	2,704,908	(2,704,908)
Debt service	9,262,000	9,262,000	9,274,070	(12,070)
Total expenditures	14,466,350	14,466,350	20,661,250	(6,194,900)
Revenues over (under) expenditures	2,987,142	2,987,142	(2,116,223)	(5,103,365)
Other financing sources:				
Issuance of notes payable	-	-	2,658,438	2,658,438
Lease agreements	-	-	708,339	708,339
Total other financing sources	-	-	3,366,777	708,339
Net change in fund balance	$ 2,987,142	$ 2,987,142	$ 1,250,554	$ (1,736,588)

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 the general fund and debt service fund combined. The capital projects fund is not included in the budget since those expenditures are funded by restricted bond proceeds.

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, 2023 and the related notes to the financial statements, which collectively comprise the Rio Nuevo Multipurpose Facilities District's basic financial statements and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rio Nuevo Multipurpose Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rio Nuevo Multipurpose Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rio Nuevo Multipurpose Facilities 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Nuevo Multipurpose Facilities 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 financial statements. 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.

BeachFleischman PLLC

Tucson, Arizona
November 14, 2023