

Rio Nuevo Multipurpose Facilities District

Year Ended June 30, 2025

Rio Nuevo Multipurpose Facilities District

Year Ended June 30, 2025

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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, 2025, 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, 2025, 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.

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 27 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 20, 2025, 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.

BeadFleischman PLLC

Tucson, Arizona
November 20, 2025

Rio Nuevo Multipurpose Facilities District

Statement of Net Position

June 30, 2025

	<u>Governmental activities</u>
Assets:	
Cash and investments (note 2)	\$ 9,489,646
Sales tax receivable, net	4,174,725
Other receivables	176,424
Other current assets	66,590
Due from City of Tucson (note 3)	360,000
Notes receivable (note 4)	3,745,081
Leases receivable (note 5)	1,388,879
Cash and investments, restricted (note 2)	16,946,843
Capital assets, not depreciated (note 6)	27,568,450
Capital assets, depreciated, net (note 6)	<u>109,000,976</u>
Total assets	<u>172,917,614</u>
Liabilities:	
Accounts payable	511,924
Accrued expenses	152,896
Liabilities payable from restricted assets (note 7)	7,853,826
Unearned revenue	417,083
Noncurrent liabilities:	
Due within one year (note 8)	7,271,950
Due in more than one year (note 8)	<u>79,612,000</u>
Total liabilities	<u>95,819,679</u>
Deferred inflows of resources:	
Deferred inflows related to leases (note 5)	<u>5,781,317</u>
Total deferred inflows of resources	<u>5,781,317</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	50,489,867
Restricted for debt service	8,017,542
Unrestricted	<u>12,809,209</u>
Total net position	<u>\$ 71,316,618</u>

See notes to financial statements.

Rio Nuevo Multipurpose Facilities District

Statement of Activities

Year Ended June 30, 2025

	<u>Governmental activities</u>
Expenses:	
Downtown development:	
Advertising and promotions	\$ 1,273,105
Business improvement district tax	217,416
Depreciation and amortization	8,423,756
Grants and project support	6,281,588
Insurance	79,894
Other	191,723
Professional and consulting	1,357,590
Salaries and wages	92,421
Security services	649,551
Interest	<u>3,517,543</u>
Total program expenses	22,084,587
Program revenues:	
Charges for services	1,410,872
Capital grants and contributions	<u>67,393</u>
Total program revenues	<u>1,478,265</u>
Net program expense	<u>20,606,322</u>
General revenues:	
Sales taxes, net	17,690,296
Interest income	75,662
Investment earnings	<u>868,448</u>
Total general revenues	<u>18,634,406</u>
Change in net position	(1,971,916)
Net position, beginning of year	<u>73,288,534</u>
Net position, end of year	<u><u>\$ 71,316,618</u></u>

Rio Nuevo Multipurpose Facilities District

Balance Sheet - Governmental Funds

June 30, 2025

	Assets			Total governmental funds
	General	Debt service	Capital projects	
Assets:				
Cash and investments	\$ 9,489,646	\$ -	\$ -	\$ 9,489,646
Sales tax receivable, net	4,174,725	-	-	4,174,725
Other receivables	176,424	-	-	176,424
Other current assets	66,590	-	-	66,590
Due from City of Tucson	360,000	-	-	360,000
Notes receivable	3,745,081	-	-	3,745,081
Leases receivable	1,388,879	-	-	1,388,879
Cash and investments, restricted	<u>846,376</u>	<u>15,871,368</u>	<u>229,099</u>	<u>16,946,843</u>
Total assets	<u>\$ 20,247,721</u>	<u>\$ 15,871,368</u>	<u>\$ 229,099</u>	<u>\$ 36,348,188</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 362,216	\$ -	\$ 149,708	\$ 511,924
Accrued expenses	152,896	-	-	152,896
Liabilities payable from restricted assets	-	7,853,826	-	7,853,826
Unearned revenue	<u>417,083</u>	<u>-</u>	<u>-</u>	<u>417,083</u>
Total liabilities	<u>932,195</u>	<u>7,853,826</u>	<u>149,708</u>	<u>8,935,729</u>
Deferred inflows of resources:				
Unavailable revenue - sales taxes	1,271,810	-	-	1,271,810
Unavailable revenue - due from City of Tucson	360,000	-	-	360,000
Deferred inflows related to leases	<u>5,781,317</u>	<u>-</u>	<u>-</u>	<u>5,781,317</u>
Total deferred inflows of resources	<u>7,413,127</u>	<u>-</u>	<u>-</u>	<u>7,413,127</u>
Commitments and contingencies				
Fund balances:				
Nonspendable	66,590	-	-	66,590
Restricted:				
Debt service	-	8,017,542	-	8,017,542
Capital improvements	-	-	79,391	79,391
Committed	14,886,256	-	-	14,886,256
Unassigned	<u>(3,050,447)</u>	<u>-</u>	<u>-</u>	<u>(3,050,447)</u>
Total fund balances	<u>11,902,399</u>	<u>8,017,542</u>	<u>79,391</u>	<u>19,999,332</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 20,247,721</u>	<u>\$ 15,871,368</u>	<u>\$ 229,099</u>	<u>\$ 36,348,188</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, 2025

Total fund balances - governmental funds	\$ 19,999,332
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.	136,569,426
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Sales taxes	1,271,810
Due from City of Tucson	360,000
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds, loans, and notes payable	(86,452,319)
Leases payable	<u>(431,631)</u>
Net position of governmental activities	<u>\$ 71,316,618</u>

Rio Nuevo Multipurpose Facilities District

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

Year Ended June 30, 2025

	General	Debt service	Capital projects	Total governmental funds
Revenues:				
Sales taxes, net	\$ 16,418,486	\$ -	\$ -	\$ 16,418,486
Grants and contributions	67,393	-	-	67,393
Charges for services	1,410,872	-	-	1,410,872
Interest income	75,662	-	-	75,662
Investment earnings	439,880	422,404	6,164	868,448
City of Tucson	<u>285,000</u>	<u>-</u>	<u>-</u>	<u>285,000</u>
Total revenues	<u>18,697,293</u>	<u>422,404</u>	<u>6,164</u>	<u>19,125,861</u>
Expenditures:				
Downtown development	10,143,288	-	-	10,143,288
Capital outlay	300,543	-	52,781	353,324
Debt service:				
Principal	330,215	6,727,000	-	7,057,215
Interest	<u>209,473</u>	<u>2,461,263</u>	<u>-</u>	<u>2,670,736</u>
Total expenditures	<u>10,983,519</u>	<u>9,188,263</u>	<u>52,781</u>	<u>20,224,563</u>
Revenues over (under) expenditures	<u>7,713,774</u>	<u>(8,765,859)</u>	<u>(46,617)</u>	<u>(1,098,702)</u>
Other financing sources (uses):				
Transfers in (out)	<u>(9,154,783)</u>	<u>9,154,783</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,154,783)</u>	<u>9,154,783</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,441,009)	388,924	(46,617)	(1,098,702)
Fund balances, beginning of year	<u>13,343,408</u>	<u>7,628,618</u>	<u>126,008</u>	<u>21,098,034</u>
Fund balances, end of year	<u>\$ 11,902,399</u>	<u>\$ 8,017,542</u>	<u>\$ 79,391</u>	<u>\$ 19,999,332</u>

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, 2025

Net change in fund balances - governmental funds	\$ (1,098,702)
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 and amortization expense. In the current period, these amounts are:	
Capital outlay	353,324
Depreciation and amortization expense	(8,423,756)
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.	1,271,810
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)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases noncurrent liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amounts consist of:	
Principal paid	7,057,215
Amortization of deferred loss on refunding	<u>(846,807)</u>
Change in net position of governmental activities	<u>\$ (1,971,916)</u>

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements

Year Ended June 30, 2025

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 five 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 with the State, 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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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).

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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 materially 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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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 to 10 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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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 noncurrent liabilities 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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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

Deferred outflows and inflows of resources:

In addition to assets, the statement of net 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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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	<u>\$ 9,489,646</u>
Hockey surcharge restricted for future TCC capital improvements	418,912
Restricted for debt service requirements	15,871,368
Bond proceeds restricted for TCC capital improvements	229,099
Other restricted cash	<u>427,464</u>
	<u>16,946,843</u>
	<u>\$ 26,436,489</u>

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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, 2025, deposits with financial institutions have a carrying value of \$26,436,489 and a bank balance of \$27,183,059. The difference represents deposits in transit, outstanding checks, and other reconciling items. At June 30, 2025, approximately \$7,846,000 of the bank balance was unsecured and uncollateralized.

3. Due from City of Tucson:

As part of the Settlement with the City discussed in note 1, certain assets that the District expended funds to improve were retained by the City, including the Depot Garage. The District recognized a receivable totaling \$14,202,000 as consideration for their efforts. In October 2016, the agreement was amended to reduce the remaining receivable by \$7,200,000 for land received from the City related to the Caterpillar project and to require annual payments of \$285,000 beginning October 2021. 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 and to reduce and postpone the required payments to \$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. The City continued making annual payments of \$285,000 through 2025 in accordance with the first amendment. At June 30, 2025, the outstanding balance receivable from the City was \$360,000.

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

Year ending

June 30,

2026 - 2040

2041 - 2045

\$	-
	<u>360,000</u>
\$	<u>360,000</u>

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

4. Notes receivable:

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 2025 was approximately \$70,000. TIF revenue earned on the property and offset against the receivable totaled approximately \$339,000 through June 30, 2025. The outstanding principal and interest balance was \$1,708,507 at June 30, 2025.

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 \$63,000 of TIF revenue was earned on the property during 2025. The outstanding principal balance was \$1,918,946 at June 30, 2025.

Zemam's Project:

The District has a \$108,000 note receivable with a developer of a restaurant. The note requires monthly principal and interest payments of \$2,065, and charges interest at 5.33% for the first two years. The interest rate resets in May 2026 to the Federal Funds Rate plus 2% for the remaining term. The note matures April 2029. The outstanding principal balance was \$84,923 at June 30, 2025.

Basqueria Project:

The District has a \$34,854 note receivable with a developer of the Basqueria project. The note requires monthly principal and interest payments of \$377 and charges interest at 3%. The note matures December 2034. The outstanding principal balance was \$32,705 at June 30, 2025.

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. 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 2025, and is included with charges for services on the accompanying financial statements.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

5. Leases receivables (continued):

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 2025, and the entire \$4,450,000 is recorded as a deferred inflow of resources at June 30, 2025 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. Further, the District began subleasing a building in March 2024, with monthly payments of \$8,754 through May 2028. The District recognized approximately \$228,000 of total lease-related revenues for 2025 for these two leases. As of June 30, 2025, the District's receivable for lease payments was \$1,388,879. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$1,331,317.

6. Capital assets:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 27,319,186	\$ -	\$ -	\$ 27,319,186
Construction in progress	32,078	217,186	-	249,264
Total capital assets, not depreciated	27,351,264	217,186	-	27,568,450
Capital assets, depreciated:				
Buildings and improvements	159,468,118	136,138	-	159,604,256
Equipment	6,517,013	-	-	6,517,013
Land improvements	932,562	-	-	932,562
Right-to-use assets	708,339	-	-	708,339
Total capital assets, depreciated	167,626,032	136,138	-	167,762,170

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

6. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Buildings and improvements	\$ (48,396,944)	\$ (7,725,037)	\$ -	\$ (56,121,981)
Equipment	(1,470,685)	(494,880)	-	(1,965,565)
Land improvements	(299,416)	(62,171)	-	(361,587)
Less accumulated amortization for:				
Right-to-use assets	(170,393)	(141,668)	-	(312,061)
Total accumulated depreciation and amortization	(50,337,438)	(8,423,756)	-	(58,761,194)
Total capital assets, depreciated, net	117,288,594	(8,287,618)	-	109,000,976
Total capital assets, net	<u>\$ 144,639,858</u>	<u>\$ (8,070,432)</u>	<u>\$ -</u>	<u>\$ 136,569,426</u>

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, 2025, 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	\$ 75,094,000	\$ -	\$ (5,186,000)	\$ 69,908,000	\$ 5,326,000
Tax-exempt loans, series 2019B	14,869,000	-	(1,316,000)	13,553,000	1,351,000
Revenue bonds, series 2017, tax exempt	950,000	-	(225,000)	725,000	235,000
Notes payable	2,463,149	-	(196,830)	2,266,319	211,391
Leases payable	565,016	-	(133,385)	431,631	148,559
	<u>\$ 93,941,165</u>	<u>\$ -</u>	<u>\$ (7,057,215)</u>	<u>\$ 86,883,950</u>	<u>\$ 7,271,950</u>

The District follows a historical policy that reports payments scheduled to be made in July 2026 as due within one year.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

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
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	7,231,000	1,691,633	8,922,633
2030	7,425,000	1,497,120	8,922,120
2031 - 2035	<u>48,230,000</u>	<u>4,379,939</u>	<u>52,609,939</u>
	<u>\$ 83,461,000</u>	<u>\$ 13,760,319</u>	<u>\$ 97,221,319</u>

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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

10. Revenue bonds (continued):

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>
2026	\$ 235,000	\$ 26,100	\$ 261,100
2027	240,000	17,640	257,640
2028	<u>250,000</u>	<u>9,000</u>	<u>259,000</u>
	<u>\$ 725,000</u>	<u>\$ 52,740</u>	<u>\$ 777,740</u>

11. Notes payable:

In April 2023, the District borrowed \$2,658,438 from Busey Bank (formerly 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 (7.5% at June 30, 2025) plus 0.5% or 5.5%, with a maximum rate of 7.95%. All remaining principal and interest is due in May 2033.

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

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 211,391	\$ 172,760	\$ 384,151
2027	228,823	155,328	384,151
2028	247,692	136,459	384,151
2029	268,117	116,034	384,151
2030	290,227	93,924	384,151
2030 - 2034	<u>1,020,069</u>	<u>130,122</u>	<u>1,150,191</u>
	<u>\$ 2,266,319</u>	<u>\$ 804,627</u>	<u>\$ 3,070,946</u>

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

12. 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	<u>312,061</u>
Carrying value	<u><u>\$ 396,278</u></u>

The following schedule details minimum lease payments to maturity for the District's leases payable at June 30, 2025.

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 148,559	\$ 13,311	\$ 161,870
2027	155,520	7,775	163,295
2028	<u>127,552</u>	<u>2,169</u>	<u>129,721</u>
	<u><u>\$ 431,631</u></u>	<u><u>\$ 23,255</u></u>	<u><u>\$ 454,886</u></u>

13. Commitments and contingencies:

Commitments:

<u>Type of project:</u>	<u>Original approved commitment</u>	<u>Remaining commitment at June 30, 2025</u>
Mixed-use developments	\$ 5,250,000	\$ 4,353,489
Hotels	4,800,000	4,800,000
Parking assistance	850,000	115,000
Restaurants	2,866,228	2,639,092
Other	5,197,250	2,568,675
TCC capital cost surcharge recovery fee	<u>410,000</u>	<u>410,000</u>
	<u><u>\$ 19,373,478</u></u>	<u><u>\$ 14,886,256</u></u>

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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

13. Commitments and contingencies (continued):

Commitments (continued):

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 hotel and 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 the Board approves plans to provide parking assistance 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.

The District received a Capital Cost Surcharge Recovery fee under a license agreement between the City of Tucson, Ice Arizona AHL Co LLC, and the District through June 2024. The District received \$2 per ticket on all Roadrunner hockey ticket sales at the TCC, and was required to fund a capital reserve with 50% of the Capital Cost Surcharge Recovery fee received. The cost of improvements or replacements greater than \$50,000 are to be funded from the capital reserve in the future. The balance in the restricted cash account at June 30, 2025 is \$418,912. The District entered into a new economic development agreement and agreed to terminate this fee starting with the 2024-2025 hockey season.

Subsequent to year-end, the District Board approved other commitments of approximately \$1,565,000.

Tax rebates:

The District enters into TIF rebate agreements with local developers for the purpose of attracting new developments or retaining existing businesses within the District. These rebates are recorded as a reduction in sales tax revenue on the statement of activities, and if rebates are due to developers at June 30, 2025, the related taxes receivable are reduced on the statement of net position.

	<u>Governmental activities</u>
Gross sales tax revenue	\$ 19,209,524
Less: incentive rebates	<u>(1,519,228)</u>
Net sales tax revenue	<u>\$ 17,690,296</u>
Gross sales tax receivable	\$ 4,700,915
Less: rebates due to merchants	<u>(526,190)</u>
Net sales tax receivable	<u>\$ 4,174,725</u>

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

13. Commitments and contingencies (continued):

Tax rebates (continued):

As of June 30, 2025, 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, 2025	Project Rebate Cap	Project Rebate Minimum
AC Marriott and adjacent retail properties	\$ 316,000	\$ 2,751,000	\$ 7,750,000	\$ -
Mercado Annex	63,000	298,000	2,200,000	-
City Park	89,000	324,000	1,300,000	-
Brings Building	5,000	47,000	1,860,000	-
Congress Street Block (98 - 130 E. Congress)	2,000	42,000	10,600,000	-
44 East Broadway	-	-	4,500,000	-
TCC Hotel - Double Tree	283,000	1,379,000	4,600,000	2,500,000
Toole & 7th Avenue	41,000	115,000	2,000,000	-
Hilton Hotel at Cathedral Sq	213,000	1,040,000	6,850,000	-
930 E. Broadway - Volvo site	-	-	1,700,000	-
1 S. Church Avenue	244,000	450,000	1,000,000	-
Julian Drew (124 E. Broadway)	134,000	524,000	1,750,000	-
117 Sixth Avenue	7,000	28,000	250,000	-
Corbett Block	77,000	200,000	4,417,190	-
La Buhardilla	-	-	675,000	-
Broadway and Plumer	-	-	3,000,000	-
Treasury 1929	1,000	1,000	900,000	-
Cold Beer and Cheeseburgers	-	-	1,300,000	-
Other	3,000	3,000	287,380	-
	<u>\$ 1,478,000</u>	<u>\$ 7,202,000</u>	<u>\$ 56,939,570</u>	<u>\$ 2,500,000</u>

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.

Rio Nuevo Multipurpose Facilities District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

13. Commitments and contingencies (continued):

Tax rebates (continued):

The TIF rebates on the Mercado Annex and Julian Drew projects are not remitted to the developers, instead they reduce future obligations of the developers. As discussed in Note 4, the notes 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, 2035, the District must pay the difference up to the minimum of \$2,500,000. At June 30, 2025, approximately \$1,379,000 has been received by the developer.

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.

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.

14. 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, 2025, sales tax revenue comprised 88% of total revenues and TCC lease revenue comprised 5% 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, 2025

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Sales taxes, net	\$ 15,300,000	\$ 15,300,000	\$ 16,418,486	\$ 1,118,486
Grants and contributions	-	-	67,393	67,393
Charges for services	92,500	92,500	1,410,872	1,318,372
Interest income	110,000	110,000	75,662	(34,338)
Investment earnings	900,000	900,000	862,284	(37,716)
City of Tucson	285,000	285,000	285,000	-
Total revenues	16,687,500	16,687,500	19,119,697	2,432,197
Expenditures:				
Downtown development	12,540,250	12,540,250	10,143,288	2,396,962
Capital outlay	-	-	300,543	(300,543)
Debt service	9,572,000	9,572,000	9,727,951	(155,951)
Total expenditures	22,112,250	22,112,250	20,171,782	1,940,468
Net change in fund balance	(5,424,750)	(5,424,750)	(1,052,085)	4,372,665
Fund balance, beginning of year	20,972,026	20,972,026	20,972,026	-
Fund balance, end of year	<u>\$ 15,547,276</u>	<u>\$ 15,547,276</u>	<u>\$ 19,919,941</u>	<u>\$ 4,372,665</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 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.