Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellevue Convention Center Authority (Meydenbauer Center)

For the period January 1, 2017 through December 31, 2018

Published July 1, 2019

Report No. 1024176

Office of the Washington State Auditor
Pat McCarthy

July 1, 2019

Board of Directors
Meydenbauer Center
Bellevue, Washington

Report on Financial Statements

Please find attached our report on the Meydenbauer Center's financial statements.

We are issuing this report in order to provide information on the Authority's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S 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*

Meydenbauer Center
January 1, 2017 through December 31, 2018

Board of Directors
Meydenbauer Center
Bellevue, Washington

We have audited, 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, the financial statements of the Meydenbauer Center, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

June 25, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Meydenbauer Center
January 1, 2017 through December 31, 2018

Board of Directors
Meydenbauer Center
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Meydenbauer Center, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Meydenbauer Center, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

June 25, 2019

FINANCIAL SECTION

Meydenbauer Center
January 1, 2017 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2018 and 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018 and 2017
Statement of Revenues, Expenses and Changes in Net Position – 2018 and 2017
Statement of Cash Flows – 2018 and 2017
Notes to the Financial Statements – 2018 and 2017

Management's Discussion and Analysis
For the Year Ending December 31, 2018

This narrative provides an overview and analysis of the Bellevue Convention Center Authority's financial activities for the fiscal year ended December 31, 2018. The purpose is to highlight significant financial issues, major financial activities, and resulting changes in financial position, as well as economic factors affecting the Authority. Readers are encouraged to consider the information presented here in conjunction with the financial statements and accompanying notes following the narrative.

I. OVERVIEW OF THE AUTHORITY

The City of Bellevue (the City) established the Authority in 1989 to construct and operate a convention center and theatre with the purpose of providing economic stimulation to the community. The Authority is governed by a Board of Directors appointed by the City Manager with the concurrence of the City Council. Although the Authority is legally separate from the City, the City reports the Authority as a discrete component unit in their Comprehensive Annual Financial Report.

The Authority derives its revenue from the City's lease and operation payments and from user fees paid by customers. The City's monthly lease and operation payments equal the Transient Occupancy Tax (TOT) receipts collected by the City.

The major expense categories for the Authority include debt service, operations, and capital. The Authority also maintains a series of reserves to protect against fluctuations in the revenue streams.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements include management's discussion and analysis and basic financial statements with accompanying notes.

Basic Financial Statements - The financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and Notes to the Financial Statements. Below are descriptions of the type of information presented to assist the reader in interpreting the statements.

The Statement of Net Position presents information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position equals assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. This statement is similar to a balance sheet in the private sector. Over time, increases or decreases in net position may serve as one indicator on whether an entity's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position illustrates the manner net position changed during the given year. The summation of annual revenues, expenses, debt service, and transfers equals the *Change in Net Position.* The *Change in Net Position* may serve as an indicator of the Authority's financial performance during the year. Adding this number to the *Beginning Net Position* balance equals the *Total Net Position* reflected on the Statement of Net Position.

The Statement of Cash Flows displays the increases and decreases of the Authority's cash by activity. The total cash reflected on the bottom of the statement includes cash on hand, cash reserved by the Authority, and cash restricted by external conditions, such as bond covenants or contracts. The Net Change in the Statement of Cash Flows does not match the Change in Net Position in the Statement of Revenues, Expenses, and Changes in Net Position because the latter statement is calculated on an accrual basis rather than cash basis.

The **Notes to the Financial Statements** provide additional disclosures that are essential to gain a full understanding of what is presented in the financial statements, such as basis for accounting, investments, leases, and long-term debt.

III. FINANCIAL STATEMENT ANALYSIS

A. Statement of Net Position

The Statement of Net Position compares the financial position of the current year with the previous two years' financial positions. The statement is presented on an accrual basis. The Authority's Statement of Net Position is summarized below in Table A followed by a narrative discussing the major variances.

Summary Table A: Statement of Net Position

	2018	2017	Difference	2016
ASSETS				
Current Assets	$15,527,610	$13,354,272	$2,173,338	$11,516,223
Restricted Assets	5,535,501	5,450,340	85,161	5,969,310
Capital Assets (Net of depreciation)	34,473,735	36,463,646	(1,989,911)	37,700,324
TOTAL ASSETS	55,536,846	55,268,258	268,588	55,185,857
LIABILITIES AND FUND EQUITY				
Current Liabilities	9,223,230	8,755,495	467,735	8,910,359
Non-current Liabilities	38,857,811	43,251,428	(4,393,617)	47,023,598
TOTAL LIABILITIES	48,081,041	52,006,923	(3,925,882)	55,933,956
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	762	2,436	(1,674)	4,877
TOTAL DEFERRED INFLOWS	762	2,436	(1,674)	4,877
NET POSITION				
Net Investment in Capital Assets	26,759,321	27,543,089	(783,768)	27,549,543
Restricted	3,915,317	3,860,437	54,880	4,394,573
Unrestricted	(23,219,593)	(28,144,625)	4,925,032	(32,697,092)
TOTAL NET POSITION	$7,455,045	$3,258,901	$4,196,144	($752,976)

2018 Compared to 2017

Assets – In 2018, current assets increased overall by $2.2 million (16.3%). This was primarily attributed to a $1.4 million (19.1%) increase in cash on hand and in bank, which is due to the timing of payments for past and future events. Additionally, the Authority realized a $0.8 million increase from 2017 in Due from Primary Government which is comprised of TOT revenue due from the City.

Restricted Assets - The Restricted Assets balance increased $85,161 which was attributed to the annual debt service deposit requirements with the trustee decreased.

Capital Assets decreased overall by $2.0 million (5.5%) from 2017. This was primarily due to the increase in accumulated depreciation for the year.

Liabilities – Current liabilities increased by $0.5 million (5.3%) which is mostly attributed to an increase in the accrued interest on the Series 1991B and Series 1994 revenue bonds balance from the prior year. Noncurrent liabilities decreased by approximately $3.0 (4.4%) million which is due to a reduction in Special Obligation Bonds Payable and Accrued Interest on Revenue Bonds of $1.1 million and $3.3 million, respectively.

Deferred Inflows of Resources – The Deferred Inflows of Resources are comprised of a deferred gain on refunding bonds. This balance decreased $1,674 (68.7%) as a result of amortization on the gain.

Total Net Position - As of December 31, 2018, total net position increased $4.2 million (128.8%) from the prior year resulting in a balance of approximately $7.5 million. This is due to unrestricted net assets realizing an increase of $4.9 million (17.5%) from the prior year which is attributed to a decrease in noncurrent liabilities related to the reduction of long-term debt payments.

2017 Compared to 2016

Assets – In 2017, current assets increased overall by $1.8 million (16.0%). This was primarily attributed to a $1.1 million (17.5%) increase in cash on hand and in bank, which is due to timing of the October 2017 TOT payment received as well as receipts for past and future events. Additionally, the Authority realized a $0.6 million increase from 2016 in Due from Primary Government which is comprised of TOT revenue due from the City.

Restricted Assets - The Restricted Assets balance decreased $0.5 million which was primarily related to the annual debt service schedule for the Series 1991B and Series 1994 bonds. The annual debt service deposit requirements with the trustee decreased.

Capital Assets decreased overall by $1.2 million (3.3%) from 2016. This was primarily due to retirements of capital assets that were replaced during the renovation project.

Liabilities – Current liabilities decreased by $0.2 million (1.7%) which is mostly attributed to a decrease in the accounts payable balance from the prior year. Noncurrent liabilities decreased by approximately $3.0 (8.0%) million which is due to a reduction in Special Obligation Bonds Payable and Accrued Interest on Revenue Bonds of $1.2 million and $2.5 million, respectively.

Deferred Inflows of Resources – The Deferred Inflows of Resources are comprised of a deferred gain on refunding bonds. This balance decreased $2,441 (50.1%) as a result of amortization on the gain.

Total Net Position - As of December 31, 2017, total net position increased $4.0 million (532.8%) from the prior year resulting in a balance of approximately $3.3 million. This is due to unrestricted net assets realizing an increase of $4.6 million (13.9%) from the prior year which is attributed to a decrease in noncurrent liabilities related to the reduction of long-term debt payments.

B. Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary version of the Statement of Revenues, Expenses, and Changes in Net Position and reflects the transactions that occurred to change the Net Position in the given year. It should be noted that the full Statement of Revenues, Expenses, and Changes in Net Position provides more detail than the following table.

Summary Table B: Statement of Revenues, Expenses, & Changes in Net Position

	2018	2017	Difference	2016*
REVENUES				
Operating Revenues	$10,435,591	$10,151,387	$284,204	$9,836,226
Non-Operating Revenues	10,986,327	9,879,789	1,106,538	9,446,931
TOTAL REVENUE	21,421,918	20,031,176	1,390,742	19,283,157
EXPENSES				
Operating Expenses	10,907,852	10,183,605	724,247	9,539,699
Depreciation/Amortization	2,182,176	2,057,381	124,795	1,832,730
Non-Operating Expenses	4,135,745	3,778,315	357,430	3,989,863
TOTAL EXPENSES	17,225,773	16,019,301	1,206,472	15,362,292
NET INCOME (LOSS)	4,196,145	4,011,875	184,270	3,920,865
Capital Contribution	-	-	-	-
CHANGE IN NET POSITION	4,196,145	4,011,875	184,270	3,920,865
NET POSITION - BEGINNING	3,258,901	(752,976)	4,011,877	(4,673,842)
NET POSITION - ENDING	$7,455,045	$3,258,901	$4,196,148	($752,976)

2018 Compared to 2017

Operating Revenues increased $0.3 million (2.8%) from 2017 due to an increase in food and beverage and event services revenue. *Non-operating revenues* increased $1.1 (11.2%) million as a result of higher TOT revenue in the amount of $0.9 million and higher interest income from the LGIP in the amount of $0.3 million.

In 2018, *Operating Expenses* increased $0.7 million (7.1%) which is correlated with the increased number of events booked during the year. Personnel expense and other administrative and Visit Bellevue expense realized the biggest increases of $0.5 million and $0.2 million, respectively. *Non-Operating Expenses* increased by $0.4 million (9.5%) which is a result of $0.6 million from writing off design work from 2002 that management felt no longer holds value related to an expansion of the Meydenbauer Convention Center offset by $0.2 million from a decrease in bond interest expense. *Depreciation* increased by $0.1 million (6.1%) which is a result of several assets being placed into service from the prior year.

There were no *Capital Contributions* received by the Authority in 2018. Overall, *Net Position* increased $4.2 million (128.8%) resulting in an ending balance of $7.5 million in 2018. The increase from the prior year is a result of realized growth in revenue.

2017 Compared to 2016

Operating Revenues increased $0.3 million (3.2%) from 2016 due to an increase in rental revenue. *Non-operating revenues* increased $0.6 (11.8%) million as a result of higher TOT revenue and interest income.

In 2017, *Operating Expenses* increased $0.9 million (7.6%) which is correlated with the increased number of events booked during the year. Personnel expense and other administrative and general expense realized the biggest increases of $0.4 million and $0.2 million, respectively. *Depreciation* increased by $0.2 million (12.2%) which is a result of several assets being placed into service from the prior year.

There were no *Capital Contributions* received by the Authority in 2017. Overall, *Net Position* increased $4.0 million (532%) resulting in an ending balance of $3.3 million in 2017. The increase from the prior year is a result of realized growth in revenue.

C. Statement of Cash Flows

The Statement of Cash Flows presents the use of cash in the control of the Authority. It should be clarified that the Statement does not include cash held on behalf of the Authority by the trustee. The Statement does include reserves and restricted cash. The investment of cash can be found in Note 4 (Deposits and Investments) in the Financial Notes. The difference between the cash invested directly by the Authority in Note 4 (Deposits and Investments) and the Statement of Cash Flows is primarily the cash in a non-interest bearing checking account.

Summary Table C: Statement of Cash Flows

	2018	2017	2016
Net cash provided by (used in) operating activities	($668,712)	($700,833)	$788,994
Net cash provided by (used in) non-capital financing activities	10,538,563	9,083,676	9,238,561
Net cash provided by (used in) capital & related financing activities	(8,323,363)	(7,861,740)	(9,564,270)
Net cash (used in) provided by investing activities	228,825	658,186	(35,680)
Net increases (decrease) in cash and cash equivalents	1,775,314	1,179,289	427,606
Beginning cash and cash equivalents	12,158,730	10,979,441	10,551,836
Ending cash and cash equivalents	**$13,934,045**	**$12,158,730**	**$10,979,441**

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The Authority's capital assets consist of the building and the equipment needed to operate Meydenbauer Center. Building, furniture, fixtures, and equipment are recorded at cost. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Depreciation is calculated using the straight-line method over the estimated useful life of the capital assets.

Summary Table D: Capital Assets

	2018	2017	Difference	2016
Building	$61,873,204	$61,375,304	$497,900	$61,938,060
Equipment	$6,511,430	6,303,247	$208,183	6,092,895
Less: accumulated depreciation	(34,301,830)	(32,294,395)	(2,007,435)	(31,025,445)
Construction in Progress	$390,931	1,079,490	(688,559)	694,814
Total Capital Assets	**$34,473,735**	**$36,463,646**	**($1,989,911)**	**$37,700,324**

2018 to 2017

In 2018, several assets were capitalized, which resulted in an increase in building and equipment by $0.5 million and $0.2 million respectively. Accumulated Depreciation reduced overall Total Capital Assets by $2.0 million. Construction in Progress realized a $0.6 million decrease as a result of writing off design work from 2002 that management felt no longer holds value related to an expansion of the Meydenbauer Convention Center and $0.1 million decrease in capital projects placed into service.

Highlights of the assets placed into service include the following:

- $0.2 million for HVAC renovations,
- $0.1 million for food and beverage bars,

- $0.1 million for fire alarm strobe additions.

2017 to 2016

In 2017, several of the assets that were replaced in the Authority's renovation project were retired. This resulted in an overall $1.2 million decrease in total capital assets. One of the largest assets to be retired was the old carpet, which comprised $0.6 million of the total asset disposals. Construction in Progress realized a $0.4 million increase as a result of continuous renovation efforts that took place in the building throughout 2017.

Highlights of the assets placed into service include the following:

- $0.08 million for rational ovens,
- $0.1 million for new security cameras throughout the building, and
- $0.03 million for a new dishwasher in the kitchen.

B. Long-Term Debt

The construction of the convention center and theatre was financed through 1991 (Series B) and 1994 Special Obligation Revenue and Refunding Bonds. The bonds mature serially beginning in 1995 and continue through 2025. The bonds are secured by the City's monthly Lease Purchase Rent and Operating payments to the Authority. At the end of 2018, the Authority held $7.7 million in outstanding debt.

A portion of the 1994 Bonds were used by the Authority for the advance refunding of all the Series 1991A and a portion of Series 1991B bonds. The refunded bonds are considered to be defeased and the related liability has been removed from the balance sheet of the Authority.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $130,000. This difference, net of accumulated amortization, is reported as *Deferred Inflows of Resources* through the year 2019. As of December 31, 2018, the remaining amount of Gain on Refunding to be amortized was $762.00.

Summary Table E: Outstanding Bonded Debt

	2018	2017	2016
Series 1991B	$671,763	$1,318,719	$1,932,029
Series 1994	7,041,888	7,599,400	8,213,875
Gain on Refunding	762	2,436	4,877
Total Outstanding Bonded Debt	$7,714,413	$8,920,554	$10,150,781

V. ECONOMIC FACTORS AND CONDITIONS THAT MAY IMPACT FINANCES

TOT Revenues – The Bellevue lodging market continues to experience strong corporate travel. The 2018 Transient Occupancy Tax Analysis performed by CBRE Hotels, Inc. forecasts the continuation of a strong demand in 2019 with increases in room supply and room rate growth in excess of inflation for the next five year time period, 2019-2023. The TOT revenue stream is forecasted to provide funding during the five year period for the Authority's debt service requirements and net operations.

Convention Center Operational Revenues – The Authority is optimistic that business activity will continue to grow in 2019. Current booking data indicates that the 2019 event booking pace and revenue projections will be similar to our revenue year in 2018.

VI. REQUESTS FOR INFORMATION

The purpose of this report is to provide a general overview of the Authority's finances. Questions concerning this report or requests for additional information should be addressed to Meydenbauer Center, Finance Department, 11100 NE 6th Street, Bellevue, WA 98004, or to finance@meydenbauer.com.

Bellevue Convention Center Authority
Statement of Net Position
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash on hand and in bank	$9,016,786	$7,568,782
Leasehold reserve	1,087,783	990,581
Reserve renovation	0	178,660
Repair, replacement, and enhancement reserve	2,209,292	1,830,804
Total cash and cash equivalents	12,313,861	10,568,827
Receivables, net	696,479	485,478
Due from Primary Government	2,065,417	1,930,018
Other Receivables	101,739	37,167
Total receivables, net	2,863,635	2,452,663
Restricted assets		
Operating reserve	304,922	299,223
Debt service reserve fund	1,315,262	1,290,680
Funds on deposit with trustee:		
Bond fund	3,212,470	3,195,404
Lease purchase rent reserve	702,847	665,033
Total restricted assets	5,535,501	5,450,340
Inventories	101,658	89,902
Prepaid expenses	248,456	242,880
Total current assets	21,063,111	18,804,612
Noncurrent assets:		
Capital Assets		
Building	61,873,204	61,375,304
Equipment	6,511,430	6,303,247
Less: accumulated depreciation	(34,301,830)	(32,294,395)
Construction in progress	390,931	1,079,490
Capital assets, net of depreciation	34,473,735	36,463,646
Total noncurrent assets	34,473,735	36,463,646
TOTAL ASSETS	$ 55,536,846	$ 55,268,258

The notes to the financial statements are an integral part of this statement.

	2018	2017
LIABILITIES		
Current liabilities:		
Accounts payable	$235,601	$243,242
Current portion of long term debts:		
Bonds payable - current	1,179,582	1,204,468
Interest payable - current	6,552,084	6,099,449
Retainage payable	17,369	24,404
Deposits payable	869,033	846,898
Accrued payroll	246,611	223,537
Compensated absences	13,024	12,523
Sales tax payable	66,157	59,340
Other accrued liabilities	43,769	41,634
Total current liabilities	9,223,230	8,755,495
Noncurrent liabilities:		
Special obligation revenue bonds payable	6,534,072	7,713,653
Accrued interest on revenue bonds	32,079,110	35,349,614
Deposits Payable	127,413	75,456
Compensated absences	117,216	112,705
Total noncurrent liabilities	38,857,811	43,251,428
TOTAL LIABILITIES	$48,081,041	$52,006,923
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding bonds	762	2,436
TOTAL DEFERRED INFLOWS	$762	$2,436
NET POSITION		
Net investment in capital assets	26,759,321	27,543,089
Restricted for:		
Bond trust fund	3,212,470	3,195,404
Lease purchase fund	702,847	665,033
Total restricted	3,915,317	3,860,437
Unrestricted	(23,219,593)	(28,144,625)
TOTAL NET POSITION	$7,455,045	$3,258,901

The notes to the financial statements are an integral part of this statement.

Bellevue Convention Center Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Food & beverage	$6,150,597	$6,024,131
Event services	1,690,036	1,566,618
Rent	2,174,976	2,114,731
Rent credit	(889,136)	(864,834)
Parking	742,371	742,616
Theatre	454,390	441,257
Visit Belllevue	109,512	111,480
Other	2,845	15,389
TOTAL OPERATING REVENUES	10,435,591	10,151,388
OPERATING EXPENSES:		
Personnel	5,503,424	5,147,840
Other administrative and general	1,563,508	1,603,115
Cost of goods and services	1,181,958	1,091,400
Marketing	266,123	237,451
Utilities and maintenance	725,659	733,737
Parking	210,606	170,060
Theatre operating expenses	428,833	410,114
Visit Bellevue operating expenses	1,027,741	789,887
Depreciation	2,183,850	2,059,822
Amortization	(1,674)	(2,441)
TOTAL OPERATING EXPENSES	13,090,028	12,240,985
OPERATING INCOME (LOSS)	(2,654,437)	(2,089,597)
NONOPERATING REVENUES (EXPENSES):		
From transient occupancy tax	10,624,433	9,722,374
Leasehold income	78,336	26,961
Interest income	283,706	124,050
Interest expense	(3,502,665)	(3,756,055)
Gain (Loss) on sale of capital assets	(148)	6,404
Other nonoperating expense	(633,080)	(22,260)
TOTAL NONOPERATING REVENUES (EXPENSES)	6,850,582	6,101,474
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,196,145	4,011,877
Capital contribution	-	-
CHANGE IN NET POSITION	4,196,145	4,011,877
TOTAL NET POSITION-BEGINNING	3,258,901	(752,976)
TOTAL NET POSITION-ENDING	$7,455,045	$3,258,901

The notes to the financial statements are an integral part of this statement.

Bellevue Convention Center Authority
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Receipts from customers	$10,234,109	$10,151,017
Payment to suppliers	(5,427,483)	(5,698,211)
Payment to employees	(5,475,338)	(5,153,640)
Net cash (used) by operating activities	(668,712)	(700,833)
Cash flows from noncapital financing activities		
Contributions by municipalities and others:		
Lease purchase rent payments	7,512,496	6,464,583
TOT operating payments	2,976,538	2,614,392
Leasehold income	78,336	26,961
Site lease and related costs	(24)	(17)
RREF expense	(28,782)	(22,243)
Net cash provided by noncapital financing activities	10,538,563	9,083,676
Cash flows from capital and related financing activities		
Interest paid to bondholders	(6,320,533)	(5,817,217)
Principal paid to bondholders	(1,204,467)	(1,227,783)
Contributed capital	-	-
Capital expenditures	(799,297)	(823,144)
Proceeds from sales of fixed assets	935	6,404
Net cash (used) by capital and related financing activities	(8,323,363)	(7,861,740)
Cash flows from investing activities		
Sale/maturity (purchase) of investment securities and funding of reserves:		
Bond fund	(17,066)	572,192
Lease purchase rent reserve	(37,815)	(38,056)
Interest received on investments	283,706	124,050
Net cash (used) provided by investing activities	228,825	658,186
Net increase (decrease) in cash and cash equivalents	1,775,314	1,179,289
Balance - beginning of the year	12,158,731	10,979,442
Balance - end of the year	$13,934,045	$12,158,731
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	($2,654,437)	($2,089,598)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,182,176	2,057,381
Change in assets and liabilities:		
Receivables	(275,573)	(71,770)
Allowance for doubtful accounts	-	-
Inventories	(11,757)	(11,266)
Smallwares inventories	-	-
Prepaid expenses	(5,575)	52,509
Deposits payable	74,092	71,399
Wages and benefits payable	23,074	(12,767)
Compensated absences payable	5,012	6,968
Accounts payable	(7,641)	(181,717)
Sales tax payable	6,817	23,827
Other accrued liabilities	2,134	(106,289)
Retainage payable	(7,035)	(439,510)
Total change in assets and liabilities	1,985,724	1,388,765
Net cash (used) by operating activities	($668,712)	($700,833)

The notes to the financial statements are an integral part of this statement.

Bellevue Convention Center Authority
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash and cash equivalents		
Current assets		
Cash on hand and in bank	$9,016,786	$7,568,782
Reserved assets		
Leasehold fund	1,087,783	990,581
Renovation reserve	0	178,660
Repair, replacement, and enhancement fund	2,209,292	1,830,804
CASH AND CASH EQUIVALENTS	12,313,861	10,568,828
Restricted cash		
Debt service reserve fund	1,315,262	1,290,680
Operating fund	304,922	299,223
RESTRICTED CASH	1,620,184	1,589,903
TOTAL RESTRICTED AND UNRESTRICTED CASH	$13,934,045	$12,158,731

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Note 1 - Formation, Activities, and Summary of Significant Accounting Policies

A. Reporting Entity

The Bellevue Convention Center Authority (the Authority) was established by Ordinance No. 4092 of the City Council of the City of Bellevue (the City), Washington, on December 4, 1989. The purpose of the Authority, as stated in its charter, is "to undertake, assist with or otherwise facilitate or provide for the development, promotion, and operation of a convention center to provide economic stimulation to the community through the creation of jobs, tax revenues, and commercial activity." Upon issuance of Special Obligation Revenue Bonds in 1991 (see Note 8), the Authority constructed the Convention Center known as Meydenbauer Center and opened for business on September 13, 1993.

The accounting and reporting policies of the Authority, which conform to generally accepted accounting principles, are regulated by the Washington State Auditor's Office. The significant accounting principles of the Authority are described below.

The Authority is governed by a Board of Directors whose members are appointed by the City Manager with the concurrence of the City Council. Although the Authority is legally separate from the City, it qualifies as a "component unit" of the City because the Authority's revenue bonds are secured by and financed with City revenues and because the Authority's Board serves at the pleasure of the City Manager and the City Council.

B. Basis of Presentation

Fund Accounting - The financial statements of the Authority are presented following the proprietary fund principles of governmental accounting standards. Under those principles, the accounts of the Authority are grouped within a single fund for reporting purposes. The Authority's agreement with the City, known as the "First Amended Design, Development, Construction, Financing, and Operating Agreement" (the Operating Agreement), and the trust indenture related to the Special Obligation Revenue Bonds provide for several "funds" which receive, hold, and use monies according to their purpose.

The "funds", which are not separate accounting entities with self-balancing accounts, are described as follows:

Bond Fund - The Bond Fund was established to provide for the payment of principal and interest on the bonds, which were issued in 1991 and 1994. The funds are on deposit with a Trustee.

Lease Purchase Rent Reserve Fund - The Lease Purchase Rent Reserve Fund was established to hold monies representing the Lease Purchase Rent Reserve Requirement for the Bond Fund while the bonds are outstanding. The funds are on deposit with a Trustee.

Maintenance and Operations Fund - The Maintenance and Operations Fund was established to receive revenues from fees for use of the Convention Center, monies transferred from other funds, and other miscellaneous revenues as provided in the Operating Agreement.

Monies in the Maintenance and Operations Fund are required to fund any deficiencies in the Lease Purchase Rent Revenue Fund or Debt Service Reserve Fund. Monies in the Maintenance and Operations Fund may be used to meet principal, interest, and debt reserve obligations and to pay maintenance and operations expenses of the

Authority. The Authority may also use these funds to support the Operating or Repair, Replacement, and Enhancement Reserves as provided in the Operating Agreement.

Operating Reserve Fund - The Operating Reserve Fund was established to receive designated funds from the Maintenance and Operations Fund to be used for shortfalls in debt service and operational expenses not otherwise funded.

Debt Service Reserve Fund - The Debt Service Reserve Fund was established to pay any deficiency in the Lease Purchase Rent Reserve Fund and has been funded in accordance with the Finance Plan of the Authority.

Repair, Replacement, and Enhancement Fund - The Repair, Replacement, and Enhancement Fund (RREF) was established in 1995 to receive designated transfers from the Maintenance and Operations Fund. Monies in the fund may be used for capital additions, repairs, improvements, and replacements and for certain operational expenses not otherwise met. The fund may also be used to meet any shortfalls in the payment of debt service on the bonds, lease purchase rent reserve, and debt service reserve.

Theatre Fund - The Theatre Fund was established in 1996 to receive funds from the Maintenance and Operations Fund. The Maintenance and Operations Fund transfers only the amount needed to balance the fund. The ending fund balance is always zero and is not shown as a line item in the statement of net position.

Leasehold Rent Reserve – In August 2017, Bellevue Convention Center Authority entered into an agreement with Stacy Witbeck Atkinson to sublease the land parcel adjacent and to the north of the Convention Center. The Board of Directors directed that the monies received from the lease payments be held in a separate reserve fund. The lease is set to expire on June 30, 2019.

Reserve Renovation Fund – The Reserve Renovation Fund was established in October 2014 to receive a $4,097,076 capital contribution from the City of Bellevue. Meydenbauer Center has developed a major reinvestment plan that will significantly improve the 20-year-old facility. The Capital Renovation Project totals $12,500,000. The project is funded by two sources: $4,097,076 in land sale proceeds from the old convention center site, and $8,402,924 from bonds issued by the City of Bellevue in 2015. Monies in the fund were used towards the capital project for the interior spaces, exterior envelope, and technology upgrades.

Basis of Accounting - The Authority is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Budget - The Authority develops annual revenue and expense budgets for all funds. The budgets are approved by the Board of the Authority and are subject to financial oversight by the City. The Authority is also required to submit an annual Finance Plan to the City Manager for review and approval.

C. Assets, Liabilities, and Net Position

Cash and Cash Equivalents - For purposes of the statement of cash flow, the Authority considers all cash in banks and invested in instruments that mature within 90 days when acquired as cash and cash equivalents.

Receivables

Accounts receivables, net consist of amounts owed from private individuals or organizations for goods and services less allowance for doubtful accounts.

Due from Primary Government consists of a 60-day accrual for payments due from the City or other governmental entities. (See Note 10 - Related Party Transactions).

Inventories - Inventory of food and beverages is valued by the First In, First Out (FIFO) method (which approximates the market value). Smallwares are also valued by the FIFO method. Effective in 2016, Smallwares inventory was recognized as a capital asset rather than inventory.

Investments - The investments of the Authority, including restricted funds held by the Trustee, are stated at fair market value per GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The types of investments authorized under legal and contractual provisions include investments permitted under Washington State law for investments of city funds, obligations of the United States, its agencies and instrumentalities, time or demand deposits in qualified banks, and certain obligations of states, banks, and other similar investments.

The Trustee or its agent must hold all investments and related collateral.

In general, all investment earnings are retained within the respective funds of the Authority. Typically, the investment earnings in the Bond Fund are transferred to the Lease Purchase Rent Reserve Fund up to the amount needed to comply with the Finance Plan and the remaining balance is transferred to the Maintenance and Operations Fund, if applicable. (See Note 4 for details).

Restricted Assets and Liabilities – These accounts contain resources for debt service. The current portion of related liabilities is shown as *Liabilities Payable from Restricted Assets*. Specific debt service reserve requirements are described in Note 9, *Long-Term Debt*.

The restricted assets are composed of the following:

Debt Service Reserve Fund	$1,315,262
Operating Reserve	$ 304,922
Bond Fund	$3,212,470
Lease Purchase Rent Reserve	$ 702,847

Capital Assets and Depreciation - Capital expenditures are recorded at cost. Capital Assets are defined as those assets over $5,000 with a minimum useful life of three years. The Authority capitalizes expenditures over $5,000 that materially increases the asset life. Per the following table of estimated useful lives, depreciation is computed using the straight-line method (See Note 5).

Building - shell	50 years
Building - mechanical systems and roof	25-35 years
Building other	5-20 years
Office furniture and equipment	5-10 years
Communications equipment	7 years
Computer equipment	5 years
Software	3 years

Compensated Absences – Compensated absence are absences for which employees will be paid, such as vacation leave. All vacation pay is accrued when incurred in the financial statements.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Upon resignation or retirement, any outstanding sick leave is lost.

Construction In Progress - This account includes the expenditures of ongoing capital projects. The expansion project was previously under review and a feasibility study was completed. It has been determined by management that the design work no longer holds value and the outstanding $604,274 related to expansion has been written off from the construction in progress balance.

Net Position - Net Position is divided between net investment in capital assets, restricted, and unrestricted amounts. Certain amounts within the net position are restricted to match the assets reserved for specified purposes. Unrestricted net position includes but is not limited to funds reserved for debt service, operations, repair and replacement, and leasehold. The table on the next page provides the itemization of the unrestricted net position.

	2018	2017
Unrestricted net position		
Reserved for:		
Debt service reserve fund	$1,315,262	$1,290,680
Operations	304,922	299,223
Debt service	-	-
Renovation fund	-	178,660
Repair, replacement, and enhancement	2,209,292	1,830,804
Leasehold	1,087,783	990,581
Bonds payable current	1,179,582	1,204,468
Construction in Progress	(390,931)	(1,079,490)
Unreserved	(33,121,648)	(36,871,428)
Current Year Income (Loss)	$4,196,145	$4,011,877
Total unrestricted net position	**(23,219,593)**	**(28,144,625)**

D. Revenues and Expenses

Operating Revenues - This is primarily revenues received from customers for both Convention Center and Theatre usage as well as related services.

Non-Operating Revenues - The City makes a monthly Lease Purchase Rent and Operating payment to the Authority. These payments are made in consideration of the continuing performance by the Authority of the obligations to develop, design, construct, lease, and operate the Convention Center facility.

As specified in the Operating Agreement, the City made monthly Lease Purchase and Operating payments to the Authority from the date the 1991 bonds were issued to the date the Certificate of Occupancy was issued on October 28, 1993. Subsequent to this date, the City leases the building from the Authority for monthly lease purchase rent payments equal to the Authority's debt service requirements for the Series 1991B, and 1994 bonds (see Note 9). Both the Lease Purchase Rent and Operating payments are paid to the Authority from the Transient Occupancy Tax (TOT) receipts of the City (Note 10).

The Operating payment amount is equal to the TOT receipts of the City less the payment for lease purchase rent and other amounts (Note 10).

The Authority conforms with the City’s application of GASB Statement No. 22, *Taxpayer-Assessed Tax Revenues in Governmental Funds*, in regard to recognizing the Authority’s non-operating revenue from TOT. This pronouncement requires revenue from taxpayer-assessed taxes to be recognized in the accounting period in which the revenue becomes susceptible to accrual, both measurable and available (modified accrual), to finance expenses of the fiscal period. GASB Statement No. 22 does not provide a standardized "availability" period to recognize taxpayer-assessed tax revenues. The Authority considers 60 days as a reasonable period for accruing collections from TOT.

Operating Expenses - These are expenses for the administration and operation of the Convention Center and Theatre for services provided to clients.

Non-Operating Expenses - Includes interest expense on debt and other non-operating expenses. The interest expense recognizes the current and accrued interest related to the interest deferred bonds. Please see Note 9 for debt information. Other non-operating expenses are expenses made in the RREF fund that are not capitalized and the gain or loss on sale of surplus items.

E. Accounting Changes

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which became effective for periods beginning after June 15, 2015. The statement involves applying fair value to certain investments and ensuring disclosures are made for all related investments. The Authority has reviewed and implemented this statement.

F. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation. Net assets and changes in net assets remain unchanged as a result of these reclassifications.

Note 2 - Stewardship, Compliance, and Accountability

There have been no material violations of finance-related or contractual provisions.

Reserves - For 2018, all of the BCCA's reserves were funded in accordance with the Finance Plan.

Note 3 – Implementation of Accounting Standard

In 2016, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for periods beginning after June 30, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The adoption of Statement No. 72 did not affect the Authority's financial position, results of operations, or cash flows.

Note 4 - Deposits and Investments

A. Deposits

Cash on hand at December 31, 2018 was $13,934,045 and $12,158,731 at December 31, 2017.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority does not have a formal policy for custodial risk beyond the requirements of state statute. The Authority's bank balance is insured by the FDIC up to $250,000 and fully collateralized by the Washington Public

Deposit Protection Commission (WPDPC) for amounts over $250,000. The WPDPC constitutes a multiple financial institution collateral pool. Washington state law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

As of December 31, 2018, the Authority's investments in U.S. Treasuries were held in the Authority's name by the designated trustee or in the Local Government Investment Pool (LGIP).

B. Investments

Interest Rate Risk
Interest rate risk is the risk the Authority may face should interest rate variances affect the fair value of investments. The Authority does not have a formal policy that addresses interest rate risk.

The LGIP is an unrated 2a-7 like pool, as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per guidelines of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the balances are also not subject to custodian credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

		Investment Maturities (in Years) as of 12/31/2018			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Treasuries	702,847	702,847			
Interest Bearing Bank Deposits	-	-			
LGIP	11,447,336	11,447,336			
	$ 12,150,183	$ 12,150,183	$ -	$ -	$ -

		Investment Maturities (in Years) as of 12/31/2017			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Treasuries	665,033	665,033			
Interest Bearing Bank Deposits	14,031	14,031			
LGIP	9,664,632	9,664,632			
	$ 10,343,696	$ 10,343,696	$ -	$ -	$ -

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have a formal policy that addresses credit risk.

The credit risk of the LGIP is limited to obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Authority does not have a formal policy for concentration of credit risk; however, approximately 82% of the Authority's investments are held in LGIP which is considered to be a low risk investment.

Investments in Local Government Investment Pool (LGIP)
The Authority is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments

in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Investments Measured at Fair Value

The Authority measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2018, the Authority had the following investments measured at fair value:

		Fair Value Measurements Using		
	12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Treasury Bills	702,847	702,847		
Total Investments measured at fair value	702,847	702,847	-	-
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	11,447,336			
Interest bearing savings account	-			
Total Investments measured at amortized cost	11,447,336			
Total Investments in Statement of Net Position	**$ 12,150,183**			

As of December 31, 2017, the Authority had the following investments measured at fair value:

		Fair Value Measurements Using		
	12/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Treasury Bills	665,033	665,033		
Total Investments measured at fair value	665,033	665,033	-	-
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	9,664,632			
Interest bearing savings account	14,031			
Total Investments measured at amortized cost	9,678,663			
Total Investments in Statement of Net Position	**$ 10,343,696**			

Note 5 - Capital Assets and Depreciation

Building, furniture, fixtures, and equipment are recorded at cost. The Authority capitalizes expenditures over $5,000 that materially increase the asset life, expense asset purchases of less than $5,000 in the capital fund, and typically charge ordinary maintenance and repairs to operations as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Construction In Progress - This account includes the expenditures of ongoing capital projects. The expansion project was previously under review and a feasibility study was completed. It has been determined by management that the design work no longer holds value and the outstanding $604,274 related to expansion has been written off from the construction in progress balance.

Note 5 Continued:

The following table shows the changes in the Authority's capital assets, including accumulated depreciation.

	2018				2017			
	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Activities:								
Capital assets, not being depreciated:								
Construction in progress	$ 1,079,490	$ 1,025,982	$ (1,714,541)	$ 390,931	$ 694,814	$ 833,685	$ (449,009)	$ 1,079,490
Total capital assets, not being depreciated:	1,079,490	1,025,982	(1,714,541)	390,931	694,814	833,685	(449,009)	1,079,490
Capital assets, being depreciated:								
Building	61,375,304	580,289	(82,523)	61,873,070	61,938,060	74,155	(636,911)	61,375,304
Equipment	6,303,247	386,249	(177,931)	6,511,565	6,092,896	364,312	(153,961)	6,303,247
Total capital assets, being depreciated:	67,678,551	966,538	(260,454)	68,384,635	68,030,956	438,467	(790,872)	67,678,551
Less accumulated depreciation for:								
Building	(27,319,587)	(1,718,048)	67	(29,037,568)	(26,305,379)	(1,651,118)	636,911	(27,319,587)
Equipment	(4,974,809)	(465,517)	176,063	(5,264,263)	(4,720,066)	(408,704)	153,961	(4,974,809)
Total accumulated depreciation:	(32,294,396)	(2,183,565)	176,130	(34,301,830)	(31,025,445)	(2,059,822)	790,872	(32,294,396)
Total capital assets being depreciated, net	35,384,155	(1,217,027)	(84,324)	34,082,804	37,005,511	(1,621,355)	-	35,384,155
Capital assets, net	**$ 36,463,645**	**$ (191,045)**	**$ (1,798,864)**	**$ 34,473,736**	**$ 37,700,325**	**$ (787,671)**	**$ (449,009)**	**$ 36,463,645**

Note 6 - Pension Plans

The Meydenbauer Center Retirement Plan and Trust ("Plan") is a defined contribution pension plan qualified for public employers under Internal Revenue Code (IRC) Section 401(a). The Plan, approved by resolution of the Board on June 14, 1995, became effective July 1, 1995. Wells Fargo Bank serves as the Plan Administrator, Plan Trustee, and Investment Manager. The Plan Committee is composed of the Executive Director, the Director of Finance, the Deputy Director of Operations, one Board member, and one employee elected at large. It is the responsibility of this Committee to oversee the performance of the Plan Administrator, the Plan Trustee, and the Investment Administrator. The Authority's Board of Directors retains the power to amend the contribution requirements.

In accordance with the Plan document, Meydenbauer Center and employees both contribute 5% of compensation to the Plan. Employee and employer contributions are tax deferred per IRC Section 414(h). Each participant may contribute on his own behalf an additional amount of the participant's gross compensation on a post-tax basis. Each regular employee becomes eligible to participate in the plan upon completion of one year of employment and 1,000 hours of service. All current regular employees who meet the criteria are eligible to join the Plan. Participation in the Plan is mandatory for all regular employees.

Each participant's vest in the company's contributions is based on the number of the participant's years of service. A participant is fully vested (100%) after six years of service.

The Plan is established as a retirement plan and contains no provision for withdrawing money prior to the termination of employment. Upon termination of employment or retirement, employees receive the account balance of employee contributions and the vested portion of the employer account credited with investment earnings. In the event of employee death or disability, the employee account becomes immediately vested and the full value of the account may be paid out. The Plan document defines disability according to specific Federal guidelines.

As of December 31, 2018, there were 84 participants in the Plan. Covered payroll for the year was $3,915,133 out of a total annual payroll of $4,869,306. Actual contributions by Meydenbauer Center were $179,386; actual employee contributions were $227,053. In 2017, there were 84 participants in the Plan. Covered payroll for the year was $3,861,301 out of a total annual payroll of $4,564,366. Actual contributions by Meydenbauer Center and employees were $177,366 and $230,526, respectively.

Plan assets are not the property of the Authority and are not subject to the claims of the Authority's creditors.

Other Employee Benefits

The Authority offers its employees the ability to join a voluntary 457 deferred compensation plan, which is administered by the Washington State Department of Retirement Systems. The monies deposited into this plan are strictly voluntary by an employee and not considered to be resources available to the Authority. Employees may contribute up to $18,500 per year to this plan.

Note 7 - Risk Management

The Authority uses the services of Parker, Smith & Feek, Inc. for marketing and placement of commercial policies. The Authority maintains insurance against most normal hazards. The most common risks faced by the Authority include damage to the building, illnesses or injuries to clients, guests, and employees, theft, and natural disasters. To decrease the exposure to risk, the Authority maintains insurance for property damage (including coverage for terrorism, flood, and earthquakes), general liability (including liquor liability), crime, public officials, cyber, and employment practices. In addition, the Authority carries umbrella coverage over and above the coverage for general, automobile, liquor, employee benefits, and stop gap liabilities. Injuries to employees that occur on the job are covered under the Washington State Department of Labor and Industries insurance program.

There have been no significant reductions from the prior year in the amount of coverage the Authority carries. The Authority carries a $10,000 deductible on its property coverage. There have been no claims in the last three years where the amount of the settlement exceeded the insurance coverage (See Note 11).

Note 8 - Leases and Other Contractual Commitments

Operating Leases
The Authority has rented office equipment under operating leases for various periods. Minimum annual rental payments for all operating leases having noncancellable terms exceeding one year are as follows:

2019	9,575
2020	2,220
2021	2,220
2022	2,220
2023	2,220
Total	$18,455

Note 9 - Long-Term Liabilities

Special Obligation Revenue Bonds - In August 1991, the Authority issued Series 1991A and Series 1991B Special Obligation Revenue Bonds of $29,396,350 to finance the costs of constructing the Convention Center facility.

The Series 1991A bonds of $7,165,000 are dated August 1, 1991, and accrue interest from that date until maturity or earlier redemption. Interest is payable semiannually on each June 1 and December 1. All Series 1991A bonds were refunded in 1994 as described below. The bonds bear interest at 7.10% and all are to be redeemed between December 1, 2015, and December 1, 2019, from a refunding escrow account.

The Series 1991B bonds of $21,120,037 accrue interest at rates ranging from 5.90% to 7.20%, depending on maturity date. Interest is compounded semiannually on December 1 and June 1 of each year and is payable at maturity. The 1991B bonds are not subject to optional redemption. The bonds mature serially each December 1, beginning 1995 through 2019. A partial refunding of the Series 1991B bonds occurred in 1994 and was completed in 1998.

Refunded Debt - On November 30, 1994, the Authority issued $13,749,073 of special obligation revenue and refunding bonds. The advance refunding bond portion of the issue was $8,411,275. The refunding bond proceeds of $8,411,275 were used to purchase U.S. government securities to advance refund all of the Series 1991A and $1,200,000 of Series 1991B bonds. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded revenue bonds. Accordingly, these refunded bonds are considered to be defeased and the related liability has been removed from the balance sheet of the Authority.

The Series 1994 bonds accrue interest at rates ranging from 6.25% to 7.50%, depending on maturity date. Interest is compounded semiannually on February 1 and August 1 of each year, commencing November 30, 1994, and is payable at maturity. The 1994 bonds are not subject to optional redemption. The bonds mature serially each February 1, beginning 2001 through 2025.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of $130,000. This difference, net of accumulated amortization was previously reported in the accompanying financial statements as an addition to bonds payable, being recognized as an amortization expense through the year 2019 using the effective interest method. Subsequent the implementation of GASB Statement No. 65 this line item is reported as Deferred Inflow of Resources. Due to this transaction, the Authority increased its aggregate debt service payments of $15,380,000 over 27 years

(1992-2019) and realized an economic loss (difference between the present values of the old and new debt service payments at the effective interest rate) of $62,000.

Long-Term Debt Detail - The tables below provide the details of the Authority's long-term debt for 2018 and 2017 as discussed above.

For 2018	Original Balance	Balance 1/1/18	Additions	Reductions	Balance 12/31/18
Series 1991B Bonds	21,120,037	1,318,719	-	(646,955)	671,763
Series 1994 Bonds	13,749,073	7,599,400	-	(557,512)	7,041,888
Gain on Refunding		2,436	-	(1,674)	762
Total Long-Term Debt		$8,920,554	$ -	($1,206,141)	$7,714,413
Interest Payable					
1991 Bonds	NA	$7,330,914	$ 536,098	($3,808,045)	$4,058,967
1994 Bonds	NA	34,118,147	2,966,567	($2,512,488)	34,572,226
Total Interest Payable		$41,449,061	$3,502,665	($6,320,533)	$38,631,193

For 2017	Original Balance	Balance 1/1/17	Additions	Reductions	Balance 12/31/17
Series 1991B Bonds	21,120,037	1,932,028	-	(613,309)	1,318,719
Series 1994 Bonds	13,749,073	8,213,874	-	(614,474)	7,599,400
Gain on Refunding		4,877	-	(2,441)	2,436
Total Long-Term Debt		$10,150,778	$ -	($1,230,224)	$8,920,554
Interest Payable					
1991 Bonds	NA	$9,870,989	$1,079,335	($3,619,410)	$7,330,914
1994 Bonds	NA	33,639,236	4,006,224	($3,527,314)	34,118,147
Total Interest Payable		$43,510,225	$5,085,559	($7,146,724)	$41,449,061

Note 9 - Continued:

The principal amount of bonds outstanding at the end of 2018 and 2017 is as follows:

	2018	2017
Current portion of long term debts:		
Series 1991B	$671,765	$646,955
Series 1994	507,817	557,512
Sub-total	1,179,582	1,204,467
Non-current portion of long term debts		
Series 1991B	0	671,764
Series 1994	6,534,072	7,041,889
Gain on refunding (net of acc. amort.)	762	2,436
Sub-total	6,534,833	7,716,089
Total long term debts:		
Series 1991B	671,764	1,318,719
Series 1994	7,041,889	7,599,401
Gain on refunding (net of acc. amort.)	762	2,436
Total	$7,714,415	$8,920,556
Accrued interest on revenue bond:		
Beginning Balance	$41,449,061	$43,510,225
Addition (Reduction)	(2,817,868)	(2,061,162)
Ending Balance	$38,631,193	$41,449,062

The debt service requirements under the Trust Indenture for each of the next five years and for the subsequent three years through maturity are as follows:

	Principal	Interest	Total
2019	1,179,582	6,795,418	7,975,000
2020	539,151	2,900,849	3,440,000
2021	1,237,685	7,262,315	8,500,000
2022	1,224,194	7,825,807	9,050,000
2023	1,269,267	8,830,733	10,100,000
2024-2025	2,263,775	17,836,225	20,100,000

Accrued Interest on Revenue Bonds - The Series 1991B and Series 1994 bonds accrue interest from the date of delivery until maturity. Interest is compounded semiannually and is payable at maturity. The line item for Accrued Interest on Revenue Bonds represents the interest accrued on these bonds that are payable in future years. The recording of accrued interest lowers the Total Net Position for a period of time. However, it is important to note that the Authority's 10-year cash flows are planned to meet all obligations as they come due.

Note 9 - Continued:

Short-Term Debt - Other than revolving credit cards, the Authority obtained no short-term debt in 2018 and 2017.

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

For 2018	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Revenue Bonds	7,713,653	-	(1,179,582)	6,534,072	1,179,582
Compensated Absences	112,705	203,927	(199,416)	117,216	13,024
Deposits Payable	75,456	113,834	(61,877)	127,413	869,033
Total	7,901,814	317,761	(1,440,875)	6,778,701	2,061,639

Note 10 - Related Party Transactions

Lease Purchase Agreement - In connection with the construction, financing, and operation of the Convention Center, the City and the Authority have entered into a Lease Purchase Agreement. As the Lease Purchase Agreement stipulates, the Authority began leasing the Convention Center to the City beginning on October 28, 1993, the date that the City issued a Certificate of Occupancy to the Authority for the Premises. As amended, the lease will terminate on December 31, 2024, or when all debt payments have been made, whichever is earlier.

The Lease Purchase Rent is equal to the debt service on the bonds, plus a certain nominal amount. The lease purchase agreement contains a pledge by the City to secure the lease payments with Transient Occupancy Tax (TOT) receipts and other revenues of the City available without a vote of the City's electors. The City pays the Lease Purchase Rent each month directly to the Trustee. The City has the option under the lease to purchase the Convention Center for an amount based on the remaining principal payments due on bonds issued by the Authority for the construction of the Convention Center, plus accrued interest and call premiums, if any, plus the Authority's transaction costs in accomplishing prepayment.

It should be noted that in January 2000, the City and the Authority amended the Lease Purchase Agreement to reflect the land acquisition and the City’s new role as owner of the site.

On June 23, 2015, The Authority entered into a two and a half year sublease agreement of the Expansion Parcel with the City to accommodate City staff parking during the construction of the City’s east garage. The City has the option for one six month extension. In consideration of the agreement, the City will turn over the improved parking lot to the Authority to use for future overflow parking.

Transactions

Transactions between the Authority and the City in 2018 and 2017 include remittance of Operating payments by the City to the Authority from the City’s TOT receipts and payments by the Authority to the City for oversight activities. The City’s TOT receipts remitted to the Authority during 2018 reflect a continuation of strong corporate travel to the Bellevue area.

These transactions are summarized below:

City’s TOT Receipts remitted to the Authority:

Total 2018 Payments (1991/1994 Bond and Operating funds) $ 10,624,433

Total 2017 Payments (1991/1994 Bond and Operating funds) $ 9,722,374

Total Accounts Receivable from the City as of December 31, 2018 includes:

	2018	2017
TOT Payments	$2,065,417	$1,930,018

Costs paid by the Authority to the City for support and assistance related to oversight activities:

	2018	2017
City Oversight	$5,245	$3,000

First Amendment to Operating Agreement - On December 12, 1995, the Authority entered into an Amendment to the Operating Agreement (the "Amendment") with the City. The City issued its Limited Tax Obligation Bonds, 1995 (the "1995 bonds") in the aggregate principal amount of $5.1 million in December 1995. The City agreed to make the proceeds of the bond issue available to Meydenbauer Center to exclusively pay for capital improvements and related costs, subject to certain terms and conditions outlined in the amendment including the City's intent to continue to levy TOT which will be used to pay the principal of and interest on the 1995 bonds.

The original Operating Agreement between the Authority and the City and each subsequent Finance Plan of the Authority did not contemplate the receipt of any 2% TOT collections levied pursuant to RCW 67.28.180 after 2005.The Amendment includes the agreement reached by the City and the Authority on the procedures by which proceeds of the 1995 bonds will be disbursed by the City for the benefit of the Authority and that TOT will be used by the City to pay debt service on the 1995 bonds commencing in 2006.

Second Amendment to Operating Agreement - On July 26, 1999, the City Council adopted Bellevue City Ordinance No. 5156, authorizing staff to negotiate a purchase and sale agreement to acquire the site of the Convention Center and an option on the adjacent option parcel. In January 2000, the City and the Authority amended the Operating Agreement to reflect the land acquisition, recognize the City as owner of the site, and to provide for ground lease payments to be made by the Authority to the City so long as notes or bonds issued by the City to pay for or refinance the acquisition of the premises are outstanding. On January 26, 2000, these amendments were executed and on January 28, 2000, the land purchase was closed.

Third Amendment to Operating Agreement - On June 10, 2002, the City Council adopted Bellevue City Ordinance No. 5373, authorizing the issuance of $10,450,000 in Limited Tax General Obligation bonds (the "2002 bonds") to refinance the Bond Anticipation Note (BAN) to purchase the land under Meydenbauer Center. This ordinance also amended the Operating Agreement to terminate the ground lease between the
City and the Authority and to provide for the debt service payments on the 2002 bonds. To make the initial debt service payments through April 2005, the City made withdrawals upon the $1.7 million collected between January 2000 and May 2002 from the Authority for ground lease payments. Following April 2005, the City uses the TOT revenue stream to make debt service payments on the bonds.

The City and the Authority agreed that the 2% TOT revenues collected after April 2005 will be used in the following priority and for the following purposes: (a) payment by the City of principal and interest on the City's 1995 bonds; (b) payment by the City of principal and interest on the City's 2002 bonds; (c) to assure the financial health of the existing Meydenbauer Center; (d) to fully fund expansion of Meydenbauer Center and its associated costs; and (e) to any City purpose permitted under law for the use of such 2% TOT revenues.

Fourth Amendment to Operating Agreement – On May 24, 2006, there was a minor change to the Operating Agreement that changed the definition of Premises to match the newly expanded definitions under the Sublease and the Operating Agreement.

Fifth Amendment to Operating Agreement – On November 14, 2007, there was a minor change to the Operating Agreement that allowed the transfer of the Sliver Parcel from the Premises leased to the Authority under the Sublease, operated by the Authority under the Operating Agreement, and leased back to the City under the Lease Purchase Agreement.

Sixth Amendment to Operating Agreement - On August 4, 2014, the City Council adopted Bellevue City Ordinance No. 6173 and 6174, authorizing the issuance of Limited Tax Obligation Bonds, 2015 (the "2015 bonds") in the aggregate principal amount not to exceed $10 million for the purpose of providing funds to finance improvements to the Meydenbauer Center; and providing for the release of funds, approximately $4.1M, from the proceeds of the sale of the Old Convention Center Site to the Authority to finance costs of improvements to Meydenbauer Center. The City agreed to make the proceeds of the bond issue and proceeds of the sale from the Old Convention Center Site available to Meydenbauer Center to finance costs of improvements and related costs, subject to certain terms and conditions outlined in the amendment including the City's intent to continue to levy TOT which will be used to pay the principal of and interest on the 2015 bonds.

The Amendment includes the agreement reached by the City and the Authority on the procedures by which proceeds of the 2015 bonds and Old Convention Center Site will be disbursed by the City for the benefit of the Authority and that TOT will be used by the City to pay debt service on the 2015 bonds commencing in 2016.

Impact from the Amendments on Transient Occupancy Tax - Beginning in April 2005, the 2% TOT revenues began to pay principal and interest on the City's 1995 and 2002 bonds. One-twelfth of the next debt service payment is deducted from the monthly TOT receipts before any collections are transferred to the Authority. It should be noted that the 2002 bonds were refunded by the City in September 2010. The City used a standard refunding approach which resulted in average annual savings of approximately $74,700 beginning in 2011.

The chart below provides the detail regarding total TOT revenues and the amounts listed on the Statement of Revenues, Expenses, and Changes in Net Position comparing 2018 and 2017. In 2018, less the deduction for the 1995 and 2010 Debt Service, TOT revenues increased by $902,059 or 9.3% over 2017. The variance is a positive indication that corporate travel remains strong within the local lodging industry.

	2018	2017
TOT Revenues	12,645,409	11,780,430
Deduction for 1995 & 2010 Debt Service	(2,020,979)	(2,058,056)
Non-Operating Revenues/TOT Reported	**$ 10,624,430**	**$ 9,722,374**

Friends of Eastside Arts - In April 1993, two members of the Authority's Board founded Friends of Eastside Arts (FOEA), a nonprofit fundraising organization that promotes art on the Eastside. The Authority is a beneficiary of funds raised by the FOEA. In 2018, the Authority received no contributions.

Note 11 - Contingencies and Litigation

There are no claims or pending claims against the Authority at this time. In the opinion of management, the Authority's insurance coverage is sufficient to cover the potential liability from any single claim pending against the Authority, or the aggregate potential liability from all pending claims or lawsuits.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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Public Records requests	PublicRecords@sao.wa.gov
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