



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Greater Wenatchee Regional Events Center Public Facilities District**

**(Town Toyota Center)**

**For the period January 1, 2020 through December 31, 2020**

*Published February 7, 2022*

Report No. 1029784



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**Office of the Washington State Auditor  
Pat McCarthy**

February 7, 2022

Board of Directors  
Town Toyota Center  
Wenatchee, Washington

**Report on Financial Statements**

Please find attached our report on Town Toyota Center's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Town Toyota Center January 1, 2020 through December 31, 2020**

Board of Directors  
Town Toyota Center  
Wenatchee, 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 Town Toyota Center, a component unit of the City of Wenatchee, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2022.

As discussed in Note 8 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in the response to this matter are also described in Note 8.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

In addition, we noted certain matters that we will report to the management of the District in a separate letter dated January 31, 2022.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District'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 District'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 District'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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Town Toyota Center January 1, 2020 through December 31, 2020**

Board of Directors  
Town Toyota Center  
Wenatchee, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Town Toyota Center, a component unit of the City of Wenatchee, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 District'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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Town Toyota Center, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 8 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in the response to this matter are also described in Note 8. Our opinion is not modified with respect to this matter.

## **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 January 26, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2022



## **FINANCIAL SECTION**

### **Town Toyota Center January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

## **Introduction**

The following is the Greater Wenatchee Regional Event Center Public Facility District's (the District) Management Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2020. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the District, to identify any significant changes in financial position and provide information on challenges in the next and subsequent years. Information contained in the MD&A has been prepared by District management and should be considered in conjunction with the financial statements and notes. The notes to the financial statements are essential to a full understanding of data contained in the financial statements.

## **Background**

The District was formed June 2006 under Revised Code of Washington (RCW) 35.57. The center was substantially complete and opened in October 2008. The District had an agreement to lease with an option to purchase the event center upon substantial completion of the construction, and closed on the option to purchase the center in December 2008 by issuing three-year short term bond and tax anticipation notes, which were refunded in 2012 (see below). The District terminated the management contract with Global Entertainment Corporation in September 2009 and elected to self-manage the facility. As a result, the District hired a General Manager in October 2009. The District had an inter-local agreement with the City of Wenatchee (the City) to provide staff support and as result of this agreement the City began managing the financial records at the event center in June 2009. The District and the City revised the support staff agreement to an agreement for accounting and other services in October 2009. This agreement for services from the City terminated at the end of 2012. In late 2012, the District hired its own financial manager to oversee the accounting of the District's operations in addition to outside consultants for information technology and accounting services.

In 2015, the City of Wenatchee was annexed by Chelan County Fire District No. 1. Prior to the annexation, fire protection services were provided for no additional cost to the District. Pursuant to RCW 52.30.020, the District is required to enter an agreement with the Fire District for fire protection services. In 2016 the fees and charges for fire protection services were based on assessed valuation and, commencing in 2017, the fees and charges for fire protection services will be based on a percentage of insured value. These annual payments will be phased-in over a five year period, with 50% of the annual payment due in 2017, increasing 12.5% per year until full payment due in 2021 and each year thereafter.

The District entered into a renewal of the license agreements with the Wenatchee Wild Junior Hockey Team in May of 2018, with a term through April 2023. There are no further extensions associated with the license agreements.

## **Financial Analysis of the District**

The District falls under the control of the Governmental Accounting Standards Board (GASB). Since the District is comprised of a single enterprise fund, no fund level financial statements are shown nor required.

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position provide the District with an overall financial position and results of operations to assist the user in assessing whether that financial position has improved or deteriorated as a result of the annual activities. Over time, increases or decreases in net position may serve as an indicator of whether the District is financially stable or if there is a going concern issue.

The statement of revenues, expenses and changes in net position show how the District's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities. A reconciliation of the cash used by operating activities to the District's operating loss as reflected on the statement of revenues, expenses and changes in net position is also included.

The notes to the financial statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

In September 2012, the District sold \$48,235,000 in Limited Sales Tax Bonds and used the bond proceeds to refund, or payoff, BANs (Limited Sales Tax and Special Tax Bond Anticipation Notes) originally issued in November 2008, plus interest. Additional sales tax of .2 percent within the City and .1 percent within the District were imposed to provide a revenue stream for the bond debt service. The additional .1 percent sales tax is imposed until one year after the date the bonds have been paid in full. The bond maturity dates range from 2017 to 2042. The additional .2 percent sales tax imposed by the City is imposed until July 1, 2042 or until the bond fund is sufficient to pay all principal and interest on the bonds then outstanding, if sooner. The District has also authorized allocation of .033 percent of the State sales tax for operation and debt service of their regional events center. This .033 percent sales tax remittance to the District terminates on July 1, 2031, which is prior to the final stated maturity of the 2012 bonds. In 2018 the District extended the remittance of the .033 percent sales tax consistent with amendments to state law allowing for collection up to a maximum forty year period.

In 2015, 2016 and 2019, the District partnered with Chelan County PUD to upgrade to a more efficient lighting package for the entire complex. Newly developed LED lighting was installed throughout the facility. In 2015, the Community Rink, back of the house areas, and the parking lot lights were replaced with the new lights at a cost of \$76,993. In 2016 the arena lights were replaced at a cost of \$217,684. In 2019, the remaining lights in the facility were replaced at a cost of \$122,969, along with other energy efficient equipment. As a result of Chelan County PUD incentive programs to promote using less energy, rebates totaling \$483,431 were received to cover the cost of these projects.

### An Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the past two years are summarized in the following table based on the information included in the current and prior financial statements.

**TABLE 1**  
**STATEMENT OF NET POSITION**

	2020	2019
Current and other assets	\$ 15,214,306	\$ 12,344,932
Net capital assets	28,223,330	30,296,787
Total assets	<u>\$ 43,437,636</u>	<u>\$ 42,641,719</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 2,369,330	\$ 2,633,980
Noncurrent liabilities	38,949,681	40,067,310
Total liabilities	<u>\$ 41,319,011</u>	<u>\$ 42,701,290</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>
Net position		
Net investment in capital assets	\$ (11,871,351)	\$ (10,870,523)
Restricted for debt service	11,369,970	9,621,144
Unrestricted	2,620,006	1,189,808
Total net position	<u>\$ 2,118,625</u>	<u>\$ (59,571)</u>

#### Total Assets

The District's total assets increased by \$795,917 during 2020. This increase is primarily due to an increase in cash funds as a result of capital and related financing activities.

#### Total Liabilities

The District's total liabilities decreased by \$1,505,575 during 2020. This decrease primarily reflects principal payments of \$1,100,000 on the 2012 taxable bonds.

Total Net Position

The District's financial position increased by \$2,301,492 during 2020.

**TABLE 2**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	2020	2019
Operating revenues		
Daily operations revenue	\$ 618,844	\$ 1,114,423
Event revenue	230,624	1,643,659
Food and beverage revenue	825,930	1,130,031
Nonoperating revenues		
Sales tax revenue	6,894,044	6,773,016
Nonoperating rebate	-	187,459
Interest	5,827	8,392
Total revenues	8,575,269	10,856,980
Operating expenses		
Daily operations expenses	1,496,109	2,363,950
Depreciation	2,090,532	2,052,915
Event expenses	209,504	1,378,770
Food and beverage expenses	390,049	736,492
Nonoperating expenses		
Interest expense	2,210,879	2,253,942
Total expenses	6,397,073	8,786,069
Change in net position	2,178,196	2,070,911
NET POSITION - BEGINNING OF YEAR	(59,571)	(2,130,482)
TOTAL NET POSITION - END OF YEAR	\$ 2,118,625	\$ (59,571)

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Revenues decreased by \$2,158,414 primarily due to decreased daily operations, event, and food and beverage revenues as a result of being shuttered due to the COVID-19 pandemic. Expenses decreased by \$2,388,995 primarily for the same reason.

### Capital Assets and Debt Activity

#### Capital Assets

As of year-end, the District had approximately \$28 million invested, net of accumulated depreciation, in a variety of capital assets. This represents a net decrease of \$2,073,457 from the previous year. Net decrease would include all additions, disposals and depreciation. The capital assets are reflected in the following schedule:

**TABLE 3**  
**CAPITAL ASSETS**

	2020	2019
Land	\$ 1,706,915	\$ 1,706,915
Intangible asset	41,254	41,254
Buildings	49,178,008	49,178,008
Machinery and equipment	2,417,577	2,400,502
Accumulated depreciation	(25,120,424)	(23,029,892)
Total	<u>\$ 28,223,330</u>	<u>\$ 30,296,787</u>

The decrease to the capital assets in 2020 was related to annual depreciation, net of capital assets additions of \$17,075. See Note 3 to financial statements for further information.

#### Long-Term Debt

The District's long-term debt as of December 31, 2020 consisted of limited sales tax bonds. See Note 6 to the financial statements for further information.

### Economic Factors

During 2020 North Central Washington continued to see increased retail sales tax revenues for the region. The regions primary economic drivers, tree fruit and tourism, continue to do well in relation to the local economies of most of the country. In addition, the annexation of the Olds Station area into the City in late fall 2016 increased the .2 percent sales tax revenue.

In early 2016 the District was made aware of a sales tax rebate arising from data center activity in Douglas County, Washington. The rebate may result in recoupment by the Washington State Department of Revenue of sales tax remitted to local jurisdictions in prior years. The financial impact to the District was \$59,841, which was off-set against the July 2017 tax remittance to the District from the Department of Revenue.

As a result of the COVID pandemic, the District was shuttered to the public on or about March 13, 2020. This status remained throughout the remainder of the year. The closed status significantly impacted revenues and expenses (including the loss of all events and an entire season for the Wenatchee Wild). The shuttered status also impacted sponsorship income (due to loss of the 400,000 annual attendance). Naming Rights partner and Pouring Rights partner elected to stay. Other sponsors remain on pause pending further direction on the District's ability to operate (the ability to renew, modify, or extend sponsorships is uncertain at this time). The income that was derived stemmed from three contracts with Chelan County to provide space for storing, sorting and delivery of food and to provide meals for those in need during the pandemic. By the end of the year, the sales tax rebate of .0333 was stable on a year-over-year comparison. The impact of the pandemic continued into 2021. It remains unclear when the District will be fully operational and when activities consistent with 2019 will return. The Wenatchee Wild have asserted a claim regarding the interpretation of their License Agreement, including a claim for monetary damages, which remain unresolved. The Wenatchee Wild License Agreement expires in 2023 following the 2022/23 hockey season and there are no further rights of renewal under the License Agreement.

#### **Request for Information**

This financial report is designed to provide a general overview of the District's finances and to show accountability of public funds. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Greater Wenatchee Regional Events Center Public Facilities District  
Attn: Mark Miller, General Manager  
1300 Walla Walla Street  
Wenatchee, WA 98801

Greater Wenatchee Regional Events Center Public Facilities District

MCAG No. 2930

STATEMENT OF NET POSITION

December 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents [Note 2]	
Operating accounts	\$ 967,046
Operating reserves	<u>1,672,045</u>
Total cash and cash equivalents	2,639,091
Restricted debt service accounts [Note 2]	3,299,094
Accounts receivable, net of allowance for doubtful accounts of \$3,518	125,857
Taxes receivable	1,300,398
Inventory	48,725
Prepaid expenses	<u>90,801</u>
Total current assets	7,503,966

NONCURRENT ASSETS

Capital assets [Notes 3 and 6]	
Land	1,706,915
Intangible asset	41,254
Buildings	49,178,008
Machinery and equipment	<u>2,417,577</u>
Total costs	53,343,754
Accumulated depreciation	<u>25,120,424</u>
Net capital assets	28,223,330
Restricted debt service accounts [Note 2]	<u>7,710,340</u>
Total noncurrent assets	<u>35,933,670</u>

TOTAL ASSETS	<u>\$ 43,437,636</u>
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DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>
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See accompanying notes



## STATEMENT OF NET POSITION

December 31, 2020

## LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

## CURRENT LIABILITIES

Long-term debt payable within one year [Note 6]	\$ 1,145,000
Accounts payable	38,513
Accrued taxes payable	7,711
Compensated absences payable	109,170
Accrued wages payable	9,930
Accrued interest payable	714,097
Other accrued expenses payable	11,502
Event deposits and prepaid ticket sales	<u>333,407</u>
Total current liabilities	2,369,330

## NONCURRENT LIABILITIES

Long-term debt payable after one year [Note 6]	39,545,000
Discounts on bonds payable	<u>(595,319)</u>
Total noncurrent liabilities	<u>38,949,681</u>

## TOTAL LIABILITIES

\$ 41,319,011

## DEFERRED INFLOWS OF RESOURCES

\$ -

## NET POSITION

Net investment in capital assets	\$ (11,871,351)
Restricted for debt service	11,369,970
Unrestricted	<u>2,620,006</u>

## TOTAL NET POSITION

\$ 2,118,625*See accompanying notes*

Greater Wenatchee Regional Events Center Public Facilities District

MCAG No. 2930

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020

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OPERATING REVENUES	
Daily operations revenue	\$ 618,844
Event revenue	230,624
Food and beverage revenue	<u>825,930</u>
Total operating revenues	1,675,398
OPERATING EXPENSES	
Daily operations expenses	
Depreciation	2,090,532
Salaries and wages	599,949
Payroll taxes and benefits [Note 4]	233,517
Utilities	163,640
Professional fees	153,093
Insurance	131,313
Repairs and maintenance	65,420
Marketing	20,037
Operating supplies	10,952
Other daily operations expense [Note 7]	118,188
Event expenses	
Event wages	96,968
Ticketing and credit card fees	22,156
Talent and artists	20,309
Payroll taxes and benefits [Note 4]	17,780
Marketing	9,884
Sound and lighting	9,822
Outside services	6,293
Other event expense	26,292
Food and beverage expenses	
Cost of food and beverages sold	218,469
Food and beverage wages	99,517
Payroll taxes and benefits [Note 4]	22,100
Supplies	20,583
Other food and beverage expense	<u>29,380</u>
Total operating expenses	<u>4,186,194</u>
OPERATING INCOME (LOSS)	(2,510,796)

*See accompanying notes*

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Greater Wenatchee Regional Events Center Public Facilities District  
MCAG No. 2930  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2020

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NONOPERATING REVENUES (EXPENSES)	
Sales tax revenue	\$ 6,894,044
Interest income	5,827
Interest expense	<u>(2,210,879)</u>
Total nonoperating revenues (expenses)	<u>4,688,992</u>
CHANGE IN NET POSITION	2,178,196
NET POSITION - BEGINNING OF YEAR	<u>(59,571)</u>
NET POSITION - END OF YEAR	<u>\$ 2,118,625</u>

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*See accompanying notes*

Greater Wenatchee Regional Events Center Public Facilities District

MCAG No. 2930

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,800,362
Cash paid to suppliers	(1,380,294)
Cash paid to employees	<u>(853,477)</u>
Net cash provided (used) by operating activities	(433,409)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(17,075)
Taxes collected for bond debt service	6,734,208
Transfer to restricted debt service accounts	(2,347,584)
Principal paid on capital debt	(1,100,000)
Interest paid on capital debt	<u>(2,198,094)</u>
Net cash provided (used) by capital and related financing activities	1,071,455

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>5,827</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS

643,873

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

1,995,218

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,639,091

*See accompanying notes*

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## STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2020

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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (2,510,796)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,090,532
Change in operating assets and liabilities:	
Accounts receivable	248,968
Inventory	22,296
Prepaid expenses	10,655
Accounts payable	(57,922)
Accrued taxes payable	(58,961)
Compensated absences payable	354
Accrued wages payable	(51,186)
Other accrued expenses payable	(3,345)
Event deposits and prepaid ticket sales	<u>(124,004)</u>
Net cash provided (used) by operating activities	<u>\$ (433,409)</u>

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*See accompanying notes*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Greater Wenatchee Regional Events Center Public Facilities District (the District) have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

A. Reporting entity

The District was formed as a municipal corporation in June 2006 under the authority of RCW 35.57 (to oversee the construction and operation of an event center facility). The formation itself was accomplished through an interlocal agreement that includes the City of Wenatchee, City of Cashmere, City of Chelan, City of East Wenatchee, City of Entiat, City of Rock Island, The Town of Waterville, Chelan County and Douglas County. The District is a component unit of the City of Wenatchee.

B. Basis of accounting and presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the *Budgeting, Accounting and Reporting System* (BARS) in the State of Washington.

The District financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are ticket sales, charges to customers for facility rental, food and beverage sales, and other event related services. Operating expenses for the District include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

D. Investments

See Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Taxes receivable consist of sales taxes collected but not yet remitted to the District.

F. Inventory

Inventory consists of expendable food, beverages and supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed.

Inventory is valued by the first in, first out method using the lower-of-cost or market value.

G. Capital assets

See Note 3.

H. Compensated absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation pay is accrued when incurred in the District's financial statements.

Vacation pay, which may be accumulated up to twice the employee's annual accrual, is payable upon resignation, retirement, or death. Employees who retire or leave District employment after a minimum of two years employment are entitled to a payout of sick leave up to a maximum of two times their annual accrual.

I. Deferred compensation

See Note 4.

J. Other accrued expenses payable

These accounts consist of accrued tips and accrued employee benefits.

K. Long-term debt

See Note 6.

L. Event deposits and prepaid ticket sales

This account includes amounts received but not recognized as revenue because the revenue recognition criteria have not been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

M. Net position

Net investment in capital assets

This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other related borrowings that are attributable to the acquisition, construction or improvements of those capital assets.

Restricted net position

In accordance with bond resolutions, and certain related agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted resources currently include the following:

- a) Bond fund, consisting of debt service account, debt service reserve account, supplemental reserve account and supplemental bond redemption account.

- 1) The debt service account is funded with the .2 percent City and .1 percent District sales tax revenues until the minimum fund balance is satisfied. The debt service account requirement is the amount of debt service on the bonds payable in the current bond year ending September 1<sup>st</sup>.
- 2) The debt service reserve account is funded with the .2 percent City and .1 percent District sales tax revenues, not required to be deposited into the debt service account, until the minimum fund balance is satisfied. The debt service reserve account requirement is the lesser of (i) the maximum amount of debt service on the bonds payable in any one bond year, (ii) 125 percent of the average amount of debt service on the bonds payable in any bond year in which the bonds remain outstanding, or (iii) 10 percent of the initial aggregate principal amount of the bonds. The debt service reserve account was fully funded at bond issuance.

The debt service reserve account is also the primary recipient of the .033 percent District sales tax revenues if the minimum fund balance is not satisfied.

- 3) The supplemental reserve account is funded with the .2 percent City and .1 percent District sales tax revenue not required to be deposited into the debt service account or the debt service reserve account, until the minimum fund balance is satisfied. The supplemental reserve account requirement is one-half of the maximum amount of debt service on the bonds payable in any one year in which the bonds remain outstanding.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

M. Net position - continued

- 4) The supplemental bond redemption account is funded with the .2 percent City and .1 percent District sales tax revenue not required to be deposited into the debt service account, debt service reserve account, supplemental reserve account or subordinate note fund. This fund may be used by the District to redeem or cancel bonds.
- b) Subordinate note fund is funded with .2 percent City and .1 percent District sales tax revenue not required to be deposited into the debt service account, debt service reserve account or the supplemental reserve account to the extent that any principal remains outstanding on the subordinate note payable to the City.
- c) Supplemental tax revenue fund is funded with .033 District sales tax revenue, unless used to fund the debt service reserve account or for making bond payments, this fund may be used for maintenance and operations, operating reserves, capital reserves and payment on loans to the City pursuant to 2012 credit facility. The City loans are only paid after the reserve accounts at the District are fully funded.

The balances in the restricted funds at December 31, 2020 are as follows:

Debt service account	\$ 6,055,028
Debt service reserve account	3,301,813
Supplemental reserve account	1,650,906
Supplemental bond redemption account	<u>1,687</u>
Total restricted debt service accounts	11,009,434
Current portion of restricted debt service accounts	<u>3,299,094</u>
Noncurrent portion of restricted debt service accounts	<u>\$ 7,710,340</u>
Unrestricted net position	

This component consists of all other net position that doesn't meet the definitions for "Net investment in capital assets" or "Restricted for debt service".

N. Use of estimates

The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District does not have a deposit policy for custodial credit risk. The deposit balances that were exposed to custodial credit risks as of December 31, 2020 are:

	Uninsured and Uncollateralized	Uninsured and Collateral Held by Bank	Uninsured and Collateral Held by Pledging Bank's Trust Department not in District's Name
Deposits held with:			
Banner Bank			
Operating	\$ 249,803	\$ -	\$ -
Box office	11,304	-	-
Maintenance & operations reserve	1,239,130	-	-
Subtotal	1,500,237	-	-
US Bank			
Operating	705,234	-	-
	<u>\$ 2,205,471</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

It is the District's policy to invest all restricted cash reserves. The District entered into an escrow agreement with US Bank and the City of Wenatchee as part of the bond issuance in September of 2012. The escrow agreement outlines the flow of funds associated with sales taxes received and bond payments made by US Bank (all as further described in the escrow agreement, bond resolution and related documents). The reserves are currently invested in U.S. Treasury demand deposit accounts.

At December 31, 2020 the funds held by US Bank pursuant to the escrow agreement totaled \$11,442,349.

All temporary investments are stated at fair value. Other property and investments are shown on the statement of net position at historical cost.

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Investments - continued

Investments are subject to the following risks:

**Interest Rate Risk:** Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk, nor does it have any investments subject to this risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy that addresses interest rate risk, nor does it have any investments subject to this risk.

**Custodial Credit Risk:** Custodial credit risk is the risk that in event of failure of the counterparty, the District would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

The deposit balances that were exposed to custodial credit risks as of December 31, 2020 are:

	Uninsured and Uncollateralized	Uninsured and Collateral Held by Bank	Uninsured and Collateral Held by Pledging Bank's Trust Department not in District's Name
Investments held with:			
US Bank			
Escrow holdings	\$ 11,442,349	\$ -	\$ -

Investments Measured at Fair Value

The District 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.

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Investments Measured at Fair Value - continued

At December 31, 2020, the District had the following investments measured at fair value:

	12/31/20	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash held in				
US Bank escrow	\$ 11,442,349	\$ 11,442,349	\$ -	\$ -

Summary of Deposit and Investment Balances

Reconciliation of District's deposits and investment balances as of December 31, 2020 is as follows:

Cash on hand	\$ 705
Amount of deposits with private financial institutions	2,205,471
Non-pooled investments	<u>11,442,349</u>
Total deposits and investments	<u>\$ 13,648,525</u>
Deposits	
Current	
Cash and cash equivalents	\$ 2,206,176
Restricted cash and cash equivalents	-
Noncurrent	
Restricted cash and cash equivalents	<u>-</u>
Total deposits	2,206,176
Investments	
Current	
Short-term investments	432,915
Restricted short-term investments	3,299,094
Noncurrent	
Restricted investments	<u>7,710,340</u>
Total investments	<u>11,442,349</u>
Total deposits and investments	<u>\$ 13,648,525</u>

## NOTE 3 - CAPITAL ASSETS

Capital assets, which include property, plant, and equipment assets, are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

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

Property, plant and equipment of the District is depreciated using the straight-line method. Building and improvements are assigned lives of 15 to 25 years, machinery and equipment 5 to 15 years. Capital assets from initial facility construction were placed in service the first full calendar year after construction was completed. Subsequent capital asset additions were placed in service using a mid-month convention. There is no material difference in accumulated depreciation using these two methods.

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/01/2020	Increase	Decrease	Balance 12/31/2020
Capital assets not being depreciated				
Land	\$ 1,706,915	\$ -	\$ -	\$ 1,706,915
Intangible asset	41,254	-	-	41,254
Total capital assets not being depreciated	1,748,169	-	-	1,748,169
Capital assets being depreciated				
Buildings	49,178,008	-	-	49,178,008
Machinery and equipment	2,400,502	17,075	-	2,417,577
Total capital assets being depreciated	51,578,510	17,075	-	51,595,585
Less accumulated depreciation				
Buildings	21,489,350	1,984,888	-	23,474,238
Machinery and equipment	1,540,542	105,644	-	1,646,186
Total accumulated depreciation	23,029,892	2,090,532	-	25,120,424
Net capital assets being depreciated	28,548,618	(2,073,457)	-	26,475,161
Total net capital assets	\$ 30,296,787	\$ (2,073,457)	\$ -	\$ 28,223,330

#### NOTE 4 - PENSION PLANS

The District does not participate in the Public Employees' Retirement System (PERS) but offers all full-time salaried employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan utilizes an independent plan administrator and permits employees to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. The plan administrator is trustee for the assets and the District has no liability for the funds. The District matches employee contributions in an amount not to exceed 2% of compensation. Employer contributions for 2020 were \$12,295.

#### NOTE 5 - RISK MANAGEMENT

Greater Wenatchee Regional Events PFD is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$5,000 of the amount of each claim, while Enduris is responsible for the remaining \$245,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

NOTE 5 - RISK MANAGEMENT - continued

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

NOTE 6 - LONG-TERM DEBT

The District's long-term debt consists of the following:

Bonds were issued in 2012 to refund the construction of the regional events center. The issuance of \$45,235,000 is to be retired by semi-annual installments on March 1st and September 1st, beginning September 1, 2016, and maturing on September 1, 2042. Semi-annual interest only payments ranging from 3% to 5.5% began on March 1, 2013. The bonds may be called on or after September 1, 2022. The District has agreed in an Interlocal Agreement not to cause or permit the retirement in full of all bonds prior to July 1, 2031.

\$ 40,690,000

Long-term debt payable within one year

1,145,000

Long-term debt payable after one year

\$ 39,545,000

NOTE 6 - LONG-TERM DEBT - continued

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,145,000	\$ 2,154,094
2022	1,190,000	2,106,863
2023	1,245,000	2,053,313
2024	1,310,000	1,991,063
2025	1,375,000	1,925,563
2026 - 2030	7,985,000	8,512,927
2031 - 2035	8,590,000	6,289,688
2036 - 2040	10,155,000	3,851,375
2041 - 2042	7,695,000	715,825
Total	<u>\$ 40,690,000</u>	<u>\$ 29,600,711</u>

Bonds are recorded net of discounts. Annual interest expense is increased by the amortization of these discounts.

Long-term debt activity for the year ended December 31, 2020 was as follows:

<u>Type of Debt</u>	<u>Balance 1/01/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2020</u>	<u>Due Within One Year</u>
General obligation bonds:					
2012A Special Tax Bond	\$ 41,790,000	\$ -	\$ 1,100,000	\$ 40,690,000	\$ 1,145,000
Total long-term debt	<u>\$ 41,790,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 40,690,000</u>	<u>\$ 1,145,000</u>

NOTE 7 - OPERATING LEASES

In April 2019, the District entered into a five year non-cancelable operating lease which expires in April 2024. Total cost for such lease, including usage charges, was \$3,965 for the year ended December 31, 2020. The future minimum lease payments for this lease is as follows:

<u>Year Ending December 31</u>	
2021	\$ 2,743
2022	2,743
2023	2,743
2024	<u>686</u>
Total future minimum lease payments	<u>\$ 8,915</u>



#### NOTE 8 - RISKS AND UNCERTAINTIES

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities. In this declaration, Governor Inslee stated, "State agencies and departments are directed to utilize state resources and to do everything reasonably possible to assist affected political subdivisions in an effort to respond to and recover from the outbreak." In response to the COVID pandemic, the District was contacted to provide meal services to those in need in the local Chelan-Douglas county area. The District then entered into contracts with local public entities who received grant funding under the CARES Act to prepare meals on site at the District for delivery, whenever requested. In many instances, this included assembling meal boxes with pre-prepared food purchased by the District. The amount of these contracts were in excess of \$555,000 during the 2020 calendar year. This revenue is included in the Food and beverage revenue listed on the Statement of Revenues, Expenses and Changes in Net Position. Subsequent to year end, the contracts terminated during the first quarter of 2021 (it is anticipated that similar grants related to the pandemic will not be made available to the District in the future).

Management has evaluated the impact of the COVID-19 pandemic on their operations and has concluded that due to the reduced number of events, and low attendance at events that can be held, it is reasonably possible the virus could have a negative effect on the District's financial position, although the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty..

#### NOTE 9 - SUBSEQUENT EVENTS

There were no material subsequent events that required recognition or additional disclosure in these financial statements, except those noted below.

In September 2021, the District issued \$39,290,000 of Limited Sales Tax Improvement and Refunding Bonds, 2020 (Taxable) (the "Bonds"). The Bonds were issued by the District pursuant to Resolution No. 2021-02 (the "Bond Resolution") for the purpose of refunding the District's outstanding Limited Sales Tax Bonds, Series 2012A, providing a debt service reserve account for the Bonds, providing a capital reserve, and paying costs of issuance of the Bonds. The annual debt service requirements to maturity disclosed in Note 6 have not been updated to reflect these changes.

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