Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellevue Convention Center Authority

(Meydenbauer Center)

For the period January 1, 2021 through December 31, 2022

Published August 17, 2023

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Office of the Washington State Auditor
Pat McCarthy

August 17, 2023

Board of Directors
Meydenbauer Center
Bellevue, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Meydenbauer Center
January 1, 2021 through December 31, 2022

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 Meydenbauer Center, a component unit of the City of Bellevue, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 27, 2023.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Pat McCarthy, State Auditor

Olympia, WA

July 27, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Meydenbauer Center
January 1, 2021 through December 31, 2022

Board of Directors
Meydenbauer Center
Bellevue, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Meydenbauer Center, a component unit of the City of Bellevue, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Meydenbauer Center, as of December 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 11 to the 2022 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 11. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2023 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

July 27, 2023

FINANCIAL SECTION

Meydenbauer Center
January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis
For the Year Ending December 31, 2022

This narrative provides an overview and analysis of the Bellevue Convention Center Authority's financial activities for the fiscal year ended December 31, 2022. 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

	2022	2021	Difference	2020
ASSETS				
Current Assets	$11,038,430	$9,976,870	$1,061,560	$7,832,634
Restricted Assets	319,478	314,298	5,180	313,971
Capital Assets (Net of depreciation)	30,398,958	30,471,543	(72,585)	31,976,728
TOTAL ASSETS	**41,756,866**	**40,762,711**	**994,155**	**40,123,332**
LIABILITIES AND FUND EQUITY				
Current Liabilities	1,394,511	1,647,808	(253,298)	957,083
Non-current Liabilities	200,862	169,019	31,843	223,726
TOTAL LIABILITIES	**1,595,372**	**1,816,827**	**(221,455)**	**1,180,809**
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	-	-	-	-
TOTAL DEFERRED INFLOWS	**-**	**-**	**-**	**-**
NET POSITION				
Net Investment in Capital Assets	30,398,958	30,471,544	(72,586)	31,976,729
Restricted	-	-	-	-
Unrestricted	9,762,535	8,474,341	1,288,194	6,965,796
TOTAL NET POSITION	**$40,161,493**	**$38,945,885**	**$1,215,608**	**$38,942,525**

2022 Compared to 2021

Assets – In 2022, current assets increased overall by $1.1 million (10.6%). This was primarily attributed to a $551,522 (10.8%) increase in cash on hand and in bank and a $217,243 (43.8%) increase in total receivables due to increased business activity in the year. The Repair, replacement, and enhancement reserve increased by $204,341 (7.7%) from 2021 due to a cash transfer from operations.

Restricted Assets - The Restricted Assets balance increased $5,180 (1.6%) from 2021. This was due to the interest income for the Operating Reserve.

Capital Assets decreased overall by $72,585 (0.2%) from 2021. This was primarily due to the increase in accumulated depreciation.

Liabilities – Current liabilities decreased by $252,298 (15.4%) which is mostly attributed to a decrease for Accounts Payable and Deposits Payable of $258,555 and $194,364, respectively. The decrease in Current liabilities was offset by an increase in Accrued Payroll and Other Accrued Liabilities of $61,540 and $74,374, respectively from 2021. Noncurrent liabilities increased by $31,843 (18.8%) which is primarily due to the increase for Compensated Absences of $61,176. The increase in Noncurrent liabilities was offset by a decrease in Deposits Payable of $29,333 from 2021.

Deferred Inflows of Resources – The Deferred Inflows of Resources are comprised of a deferred gain on refunding bonds. This balance was zero as a result of full amortization on the gain in 2019.

Total Net Position - As of December 31, 2022, total net position increased $1.2 million (3.1%) from the prior year resulting in a balance of approximately $40.2 million. This is due to total assets realizing an increase of $994,154 (2.4%) from the prior year and a decrease in total liabilities of $221,455 (12.2%) from the prior year.

2021 Compared to 2020

Assets – In 2021, current assets increased overall by $2.1 million (27.4%). This was primarily attributed to a $2.1 million (67.4%) increase in cash on hand and in bank due to acquiring an SBA PPP loan that was fully forgiven.

Restricted Assets - The Restricted Assets balance increased $327 (0.1%) from 2020. This was due to the interest income for the Operating Reserve.

Capital Assets decreased overall by $1.5 million (4.7%) from 2020. This was primarily due to the increase in accumulated depreciation.

Liabilities – Current liabilities increased by $690,725 (72.2%) which is mostly attributed to an increase for Accounts Payable and Deposits Payable of $326,114 and $277,817, respectively. Noncurrent liabilities decreased by $54,707 (24.5%) which is primarily due to the decrease for Deposits Payable of $104,226. The decrease in Noncurrent liabilities was offset by an increase in Compensated Absences of $49,519 from 2020.

Deferred Inflows of Resources – The Deferred Inflows of Resources are comprised of a deferred gain on refunding bonds. This balance was zero as a result of full amortization on the gain in 2019.

Total Net Position - As of December 31, 2021, total net position increased $3,360 from the prior year resulting in a balance of approximately $38.9 million. This is due to total assets realizing an increase of $639,378 (1.6%) from the prior year offset by an increase in total liabilities of $636,018 (53.9%) from the prior year.

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

	2022	2021	Difference	2020
REVENUES				
Operating Revenues	$6,917,698	$3,221,915	$3,695,783	$4,108,564
Non-Operating Revenues	6,159,243	3,725,488	2,433,755	41,654,442
TOTAL REVENUE	**13,076,941**	**6,947,403**	**6,129,538**	**45,763,006**
EXPENSES				
Operating Expenses	9,889,955	4,929,939	4,960,016	5,648,910
Depreciation/Amortization	1,788,301	1,963,170	(174,869)	2,006,394
Non-Operating Expenses	183,076	50,936	132,140	11,789,130
TOTAL EXPENSES	**11,861,332**	**6,944,045**	**4,917,287**	**19,444,434**
NET INCOME (LOSS)	**1,215,608**	**3,360**	**1,212,251**	**26,318,572**
Capital Contribution	-	-	-	-
CHANGE IN NET POSITION	**1,215,608**	**3,360**	**1,212,251**	**26,318,572**
NET POSITION - BEGINNING	38,945,885	38,942,525	3,360	12,623,952
NET POSITION - ENDING	**$40,161,493**	**$38,945,885**	**$1,215,611**	**$38,942,525**

2022 Compared to 2021

Operating Revenues increased $3.7 million (114.7%) from 2021 due to increases in food and beverage, event services, parking, and Theatre revenue. *Non-operating revenues* increased $2.4 million (65.3%) due to an increase in TOT revenue and Interest income. TOT revenue was up $3.7 million (159.1%) from 2021. Interest Income was up $124,221 due to a higher amount of cash invested in the Local Government Investment Pool (LGIP) in 2022. The increase was offset by the extinguishment of debt on an SBA PPP loan in the amount of $1.3 million in 2021.

In 2022, *Operating Expenses* increased $5.0 million (100.6%) which is correlated with the increased amount of business for the convention center, Visit Bellevue, and Theatre operations during the year. Personnel, other administrative and general, Visit Bellevue operating expenses, cost of goods and services, and utilities and maintenance expenses realized the biggest increases of $2.3 million, $815,534, $756,232, 593,851, and $386,478, respectively. *Non-Operating Expenses* increased by $132,140 (259.4%) which is attributed to writing off an office remodel project. *Depreciation/Amortization* decreased by $174,869 (8.9%) which is a result of a higher number of assets fully depreciated.

There were no *Capital Contributions* received by the Authority in 2022. Overall, *Net Position* increased $1.2 million (3.1%) resulting in an ending balance of $40.2 million in 2022.

2021 Compared to 2020

Operating Revenues decreased $886,649 (21.6%) from 2020 due to decreases in food and beverage, event services, parking, and Visit Bellevue revenue. *Non-operating revenues* decreased $37.9 million (91.1%) as a result from a grant by the City of Bellevue for the defeasance of the Series 94 bonds in the amount of $40.7 million in 2020. Interest Income was down $110,752 due to a lower amount of cash invested in the Local Government Investment Pool (LGIP). The decrease was offset by higher TOT revenue in the amount of $1.6 million and the gain from the extinguishment of debt on an SBA PPP loan in the amount of $1.3 million.

In 2021, *Operating Expenses* decreased $718,971 (12.7%) which is correlated with the decreased amount of business for the convention center and Visit Bellevue operations during the year due to the pandemic. Personnel, other administrative and general, and Visit Bellevue operating expenses realized the biggest decreases of $233,630, $146,947, and $139,833, respectively. *Non-Operating Expenses* decreased by $11.7 million (99.6%) as a result from a transfer to the City for bond payments in the amount of $8.9 million in 2020. Interest expense was down $2.9 million due to the defeasance of the Series 94 bonds in 2020. *Depreciation/Amortization* decreased by $43,224 (2.2%) which is a result of a higher number of assets fully depreciated.

There were no *Capital Contributions* received by the Authority in 2021. Overall, *Net Position* increased $3,360 resulting in an ending balance of $38.9 million in 2021.

C. Statement of Cash Flows

The Statement of Cash Flows presents the use of cash in the control of the Authority. 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

	2022	2021	2020
Net cash provided by (used in) operating activities	($3,441,519)	($1,550,053)	($1,702,962)
Net cash provided by (used in) non-capital financing activities	9,926,947	5,620,094	44,812,152
Net cash provided by (used in) capital & related financing activities	(5,798,654)	(3,703,450)	(5,556,595)
Net cash (used in) provided by investing activities	132,159	1,299,925	(45,626,670)
Net increases (decrease) in cash and cash equivalents	818,933	1,666,517	(8,074,075)
Beginning cash and cash equivalents	9,503,508	7,836,991	15,911,066
Ending cash and cash equivalents	**$10,322,440**	**$9,503,508**	**$7,836,991**

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The Authority's capital assets consist of the building, art, and the equipment needed to operate Meydenbauer Center. Building, art, 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

	2022	2021	Difference	2020
Building	$62,764,638	$62,674,039	$90,599	$62,433,047
Equipment	5,850,953	5,437,056	413,897	5,508,309
Less: accumulated depreciation	(40,309,140)	(38,667,837)	(1,641,303)	(36,764,718)
Art	156,324	156,324	-	156,324
Construction in Progress	1,936,183	871,961	1,064,222	643,768
Total Capital Assets	**$30,398,958**	**$30,471,544**	**($72,586)**	**$31,976,728**

2022 Compared to 2021

In 2022, a few projects were completed and capitalized, which resulted in an increase in building and equipment by $90,599 and $413,897, respectively. Accumulated Depreciation reduced overall Total Capital Assets by $1.6 million (4.2%). Construction in Progress realized a $1.1 million (122.0%) increase as a result from 2022 capital projects that remain in progress.

Highlights of the asset placed into service include the following:

- $247,051 for Parking Equipment
- $161,098 for Replacement Heat Pumps
- $150,755 for Lighting Controls
- $28,809 for Conference Room Chairs
- $14,864 for Scissor Lift
- $14,218 for Software Upgrades

2021 Compared to 2020

In 2021, only one project was completed and capitalized for the building, which resulted in an increase in building by $240,993. Equipment decreased by $71,252 as a result of the disposal of assets. Accumulated Depreciation reduced overall Total Capital Assets by $1.9 million (5.2%). Construction in Progress realized a $228,194 increase as a result from 2021 capital projects that remain in progress or placed on hold temporarily due to the pandemic.

Highlights of the asset placed into service include the following:

- $240,993 for Flight-Type Dishwash Machine.

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. The 1991 (Series B) revenue bonds were paid in full on December 1, 2019.

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*. There is zero remaining amount of *Gain on Refunding* to be amortized. The 1994 Special Obligation Revenue and Refunding bonds were defeased by the

City of Bellevue on December 17, 2020. At the end of 2022, the Authority held no outstanding debt.

V. <u>ECONOMIC FACTORS AND CONDITIONS THAT MAY IMPACT FINANCES</u>

TOT Revenues – In 2022, the Bellevue hotel industry continued to experience impacts due to the pandemic. Occupancy and the hotel room supply were down 10% and 5%, respectively, compared to pre-pandemic levels in 2019. The 2023 Transient Occupancy Tax Analysis performed by CBRE Hotels, Inc. forecasts 10% higher revenue collections in 2023 as compared to 2022. They project a gradual recovery period post-COVID-19 in the years 2024-2025 until the market makes a full recovery in 2026. However, the TOT revenue stream is forecasted to provide necessary funding during the three-year period for the Authority's net operations and capital requirements.

Convention Center and Theatre Operational Revenues – The Authority is optimistic that business activity will continue to grow in 2023. Current booking data indicates that the 2023 event booking pace and revenue projections will be 70% of our pre-pandemic revenue year in 2019.

Refer to note 11 for COVID-19 Pandemic information.

VI. <u>REQUESTS FOR INFORMATION</u>

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 Bellevue Convention Center Authority, 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, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash on hand and in bank	$5,660,989	$5,109,467
Leasehold reserve	1,481,089	1,423,199
Repair, replacement, and enhancement reserve	2,860,884	2,656,543
Total cash and cash equivalents	10,002,962	9,189,209
Receivables, net	188,961	37,625
Other Receivables	524,032	458,125
Total receivables, net	712,993	495,750
Restricted assets		
Operating reserve	319,478	314,298
Total restricted assets	319,478	314,298
Inventories	71,563	90,932
Prepaid expenses	250,912	200,979
Total current assets	11,357,908	10,291,168
Noncurrent assets:		
Capital assets not being depreciated	2,092,507	1,028,285
Capital assets net of accumulated depreciation	28,306,451	29,443,258
Total noncurrent assets	30,398,958	30,471,543
TOTAL ASSETS	$ 41,756,866	$ 40,762,712

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

	2022	2021
LIABILITIES		
Current liabilities:		
Accounts payable	$118,301	$376,856
Retainage payable	12,229	-
Deposits payable	856,837	1,051,201
Accrued payroll	224,203	162,663
Compensated absences	17,164	10,367
Sales tax payable	51,990	7,309
Other accrued liabilities	113,787	39,412
Total current liabilities	1,394,511	1,647,808
Noncurrent liabilities:		
Deposits Payable	46,383	75,716
Compensated absences	154,479	93,303
Total noncurrent liabilities	200,862	169,019
TOTAL LIABILITIES	$1,595,372	$1,816,827
NET POSITION		
Net investment in capital assets	30,398,958	30,471,544
Restricted for:		
Lease purchase fund	-	-
Total restricted	-	-
Unrestricted	9,762,535	8,474,341
TOTAL NET POSITION	$40,161,493	$38,945,885

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, 2022 and 2021

	2022	2021
OPERATING REVENUES:		
Food & beverage	$4,108,630	$528,372
Event services	815,063	691,363
Rent	950,361	1,562,804
Parking	542,406	148,393
Theatre	444,102	149,165
Visit Belllevue	14,459	96,120
Other	42,677	45,698
TOTAL OPERATING REVENUES	6,917,698	3,221,915
OPERATING EXPENSES:		
Personnel	5,246,462	2,949,758
Other administrative and general	1,606,318	790,784
Cost of goods and services	711,402	117,551
Marketing	86,212	62,329
Utilities and maintenance	966,968	580,490
Parking	120,459	29,168
Theatre operating expenses	22,391	26,348
Visit Bellevue operating expenses	1,129,743	373,511
Depreciation	1,788,301	1,963,170
TOTAL OPERATING EXPENSES	11,678,256	6,893,109
OPERATING INCOME (LOSS)	(4,760,558)	(3,671,194)
NONOPERATING REVENUES (EXPENSES):		
From transient occupancy tax	5,992,933	2,312,812
Leasehold income	34,433	115,245
Interest income	132,159	7,938
Interest expense	-	(8,708)
Gain (Loss) on sale of capital assets	(282)	(11,202)
Gain on Extinguishment of Debt - PPP Loan	-	1,300,695
Other nonoperating expense	(183,076)	(42,228)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,976,167	3,674,552
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,215,608	3,360
CHANGE IN NET POSITION	1,215,608	3,360
TOTAL NET POSITION-BEGINNING	38,945,885	38,942,525
TOTAL NET POSITION-ENDING	$40,161,493	$38,945,885

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Receipts from customers	$6,476,757	$2,942,994
Payment to suppliers	(4,801,328)	(1,664,738)
Payment to employees	(5,116,949)	(2,828,308)
Net cash (used) by operating activities	(3,441,519)	(1,550,053)
Cash flows from noncapital financing activities		
Contributions by municipalities and others:		
Lease purchase rent payments	4,082,657	3,234,264
TOT operating payments	5,992,933	2,312,812
Leasehold Rental income	34,433	115,245
Site lease and related costs	(36)	(23)
RREF expense	(183,040)	(42,204)
Net cash provided by noncapital financing activities	9,926,947	5,620,094
Cash flows from capital and related financing activities		
Transfer (to) from 1995 and 2002 bond payment fund	(4,082,657)	(3,234,264)
Capital expenditures	(1,716,270)	(469,186)
Proceeds from sales of fixed assets	272	-
Net cash (used) by capital and related financing activities	(5,798,654)	(3,703,450)
Cash flows from investing activities		
Sale/maturity (purchase) of investment securities and funding of reserves:		
Gain on Extinguishment of Debt - PPP Loan	-	1,291,987
Interest received on investments	132,159	7,938
Net cash (used) provided by investing activities	132,159	1,299,925
Net increase (decrease) in cash and cash equivalents	818,933	1,666,517
Balance - beginning of the year	9,503,508	7,836,991
Balance - end of the year	$10,322,440	$9,503,508
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	($4,760,558)	($3,671,193)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,788,301	1,963,170
Change in assets and liabilities:		
Receivables	(217,243)	(452,512)
Inventories	19,369	(10,040)
Prepaid expenses	(49,932)	(15,495)
Deposits payable	(223,697)	173,591
Wages and benefits payable	61,540	66,428
Compensated absences payable	67,973	55,021
Accounts payable	(258,554)	326,113
Sales tax payable	44,680	7,689
Other accrued liabilities	74,374	7,175
Retainage payable	12,229	-
Total change in assets and liabilities	1,319,039	2,121,140
Net cash (used) by operating activities	($3,441,519)	($1,550,053)

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, 2022 and 2021

	2022	2021
Cash and cash equivalents		
Current assets		
Cash on hand and in bank	$5,660,989	$5,109,467
Leasehold fund	1,481,089	1,423,199
Repair, replacement, and enhancement fund	2,860,884	2,656,543
CASH AND CASH EQUIVALENTS	10,002,962	9,189,209
Restricted cash		
Operating fund	319,478	314,298
RESTRICTED CASH	319,478	314,298
TOTAL RESTRICTED AND UNRESTRICTED CASH	$10,322,440	$9,503,508

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

BELLEVUE CONVENTION CENTER AUTHORITY

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Bellevue Convention Center Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 significant accounting policies are described below.

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 9), the Authority constructed the Convention Center known as Meydenbauer Center and opened for business on September 13, 1993.

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 discretely presented 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. The bonds were defeased in December 2020 and the Trustee funds were used for the defeasance.

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. The bonds were defeased in December 2020 and the Trustee funds were used for the defeasance.

Maintenance and Operations Fund

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

Monies in the Maintenance and Operations Fund may be used 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. The bonds were defeased in December 2020 and the Debt Service Reserve fund was entirely used for the defeasance.

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.

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

Bellevue Convention Center Authority has entered into agreements with Norcon and Absher Co 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 leases are month to month.

C. Basis of Accounting

The Authority is accounted for on a flow of economic resources measurement focus and full-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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The principal operating revenues of the Authority are event rentals, related event fees, food service, and parking revenues. Operating expenses relate directly or indirectly to the generation of the operating revenues and include salaries and benefits, professional services, food service, depreciation, supplies, utilities, maintenance, marketing, and other administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonoperating revenues consist of monthly Lease Purchase Rent and Operating payment from the City. 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 8). Both the Lease Purchase Rent and Operating payments are paid to the Authority from the Transient Occupancy Tax (TOT) receipts of the City (Note 9).

The Operating payment amount is equal to the TOT receipts of the City less the payment for lease purchase rent and other amounts (Note 9).

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.

Nonoperating expenses include interest expense on debt and other non-operating expenses. The interest expense recognizes the current and accrued interest related to the interest deferred bonds. Other non-operating expenses are expenses from the RREF that are not capitalized and the gain or loss on sale of surplus items.

D. Budgetary Information

Scope of Budget

The Authority develops annual revenue and expense budgets for all funds as defined by the Operating Agreement. 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.

Amending the Budget

The Authority prepares a monthly comparison of budgeted amounts to actual amounts. It can amend its operating budget only by a board resolution. Capital budgets are monitored throughout the length of the specific projects, and budgets are modified by board resolution.

E. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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 consists 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 9 - Related Party Transactions).

Other Receivables consist of amounts due from our parking vendor, and flexible spending account receivables with the vendor.

Investments
The investments of the Authority 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.

All investment earnings are retained within the respective funds of the Authority. (See Note 4 for details).

Inventories
Inventory of food and beverages is valued by the First In, First Out (FIFO) method (which approximates the market value).

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 8, Long-Term Debt.

The restricted assets are composed of the following:

Operating Reserve	$ 319,478

Capital Assets (See Note 5)
Capital Assets include buildings, building improvements, machinery and equipment, furniture and fixtures, art collections, and construction in progress. Assets are capitalized if the initial investment is $5,000 or greater and have an estimated useful life of more than three years.

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.

Capital assets are depreciated over their useful lives using the straight-line method.

The following estimated useful lives are used to record depreciation expense:

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 a maximum of 240 hours, is payable upon resignation, retirement or death. Upon resignation or retirement, any outstanding sick leave is forfeited.

Deposits Payable

The Authority collects certain money in advance, primarily customer deposits for future events. Until earned, these collections are presented as deposits payable.

Other Accrued Liabilities
These accounts consist of accrued wages, employee benefits payable, retainage payable, sales tax payable, accrued expenses, and business and occupation tax payable to the City and state.

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 below provides the itemization of the unrestricted net position.

	2022	2021
Unrestricted net position		
Reserved for:		
Operations	$319,478	$314,298
Repair, replacement, and enhancement	2,860,884	2,656,543
Leasehold	1,481,089	1,423,199
Construction in Progress	(1,936,183)	(871,961)
Unreserved	5,821,659	4,948,902
Current Year Income (Loss)	$1,215,608	$3,360
Total unrestricted net position	**9,762,535**	**8,474,341**

Long-Term Debt (See Note 8)

Note 2 - Stewardship, Compliance, and Accountability

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

Note 3 – Implementation of Accounting Standard

There were no new GASB Statements implemented in 2022.

Note 4 - Deposits and Investments with Financial Institutions

A. Deposits

The Authority's cash and cash equivalents on December 31, 2022 were $10,322,440 and $9,503,508 on December 31, 2021.

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, 2022, the Authority's investments were held 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 12/31/2022			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Treasuries	-	-			
Interest Bearing Bank Deposits	-	-			
LGIP	8,930,464	8,930,464			
	$ 8,930,464	$ 8,930,464	$ -	$ -	$ -

		Investment Maturities (in Years) as of 12/31/2021			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Treasuries	-	-			
Interest Bearing Bank Deposits	-	-			
LGIP	8,248,305	8,248,305			
	$ 8,248,305	$ 8,248,305	$ -	$ -	$ -

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, 100% of the Authority's investments are held in LGIP at December 31, 2022 which is a low risk investment.

Investments in Local Government Investment Pool (LGIP)

The Authority is a participant in the Local Government Investment Pool which 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, 2022, the Authority had the following investments measured at fair value:

		Fair Value Measurements Using		
	12/31/2022	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	-	-	-	-
Total Investments measured at fair value	-	-	-	-
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	8,930,464			
Interest bearing savings account	-			
Total Investments measured at amortized cost	8,930,464			
Total Investments in Statement of Net Position	**$ 8,930,464**			

As of December 31, 2021, the Authority had the following investments measured at fair value:

		Fair Value Measurements Using		
	12/31/2021	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	-	-	-	-
Total Investments measured at fair value	-	-	-	-
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	8,248,305			
Total Investments measured at amortized cost	8,248,305			
Total Investments in Statement of Net Position	**$ 8,248,305**			

Note 5 - Capital Assets

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 includes the expenses for ongoing capital projects.

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

	2022				2021			
	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Activities:								
Capital assets, not being depreciated:								
Art	156,324	-	-	$ 156,324	$ 156,324	-	-	156,324
Construction in progress	871,961	1,906,028	(841,806)	1,936,182	643,767	633,016	(404,822)	871,961
Total capital assets, not being depreciated:	1,028,285	1,906,028	(841,806)	2,092,506	800,091	633,016	(404,822)	1,028,285
Capital assets, being depreciated:								
Art	-	-	-	-	-	-	-	-
Building	62,674,040	150,755	(60,156)	62,764,638	62,433,047	240,993	-	62,674,040
Equipment	5,437,057	501,294	(87,397)	5,850,953	5,508,309	-	(71,252)	5,437,057
Total capital assets, being depreciated:	68,111,096	652,048	(147,553)	68,615,591	67,941,356	240,993	(71,252)	68,111,096
Less accumulated depreciation for:								
Art	-	-	-	-	-	-	-	-
Building	(33,783,817)	(1,498,235)	60,156	(35,221,896)	(32,121,303)	(1,662,513)	-	(33,783,816)
Equipment	(4,884,020)	(290,135)	86,912	(5,087,244)	(4,643,415)	(300,976)	60,371	(4,884,020)
Total accumulated depreciation:	(38,667,837)	(1,788,370.22)	147,067.66	(40,309,140)	(36,764,718.00)	(1,963,489.57)	60,370.70	(38,667,837)
Total capital assets being depreciated, net	29,443,259	(1,136,322)	(486)	28,306,452	31,176,638	(1,722,497)	(10,882)	29,443,259
Capital assets, net	**30,471,543**	**769,706**	**(842,292)**	**30,398,958**	**31,976,729**	**(1,089,481)**	**(415,704)**	**30,471,543**

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 Chief Executive Officer, the Chief Financial Officer, the 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, the Bellevue Convention Center Authority and the 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, 2022, there were 61 participants in the Plan. Covered payroll for the year was $3,017,349 out of a total annual payroll of $4,032,350. Actual contributions by Meydenbauer Center were $138,946; actual employee contributions were $158,732. As of December 31, 2021, there were 58 participants in the Plan. Covered payroll for the year was $2,034,413 out of a total annual payroll of $2,173,433. Actual contributions by Meydenbauer Center and employees were $101,509 and $116,177, 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 $20,500 per year to this plan and employees over 50 may contribute an additional $6,500 per year.

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 10).

Note 8 - Long-Term Debt

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 were dated August 1, 1991 and accrued 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 were 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 bonds mature serially each February 1, beginning 2001 over the next several years. The bonds were defeased in December 2020.

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 Series 1991B bonds matured and were paid off in 2019. The 1994 bonds were defeased in 2020. There was no principal amount of bonds outstanding or accrued interest at the end of 2022 and 2021.

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

For 2022	Balance 1/1/22	Additions	Reductions	Balance 12/31/22	Due Within One Year
Compensated Absences	103,670	392,906	(324,933)	171,643	17,164
Deposits Payable	1,126,917	2,252,511	(2,476,209)	903,219	856,837
Total	1,230,587	2,645,417	(2,801,141)	1,074,863	874,001

Note 9 - 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 a two and ½ year sublease agreement of the Expansion Parcel with the City to accommodate City staff parking during the construction of the City's east garage. On June 30, 2018, the City extended the sublease agreement until June 30, 2020. In consideration of the agreement, the City will turn over the improved parking lot to the Authority to use for future overflow parking.

On December 17, 2020, the Lease Purchase Agreement was amended due to the global pandemic and the resulting significant decrease in TOT revenues in 2020. The City authorized the issuance and sale of its Limited Tax General Obligation Refunding Bonds, 2020. A portion of the refunding was allocated to prepaying the Lease Purchase Rent and defeasance of the Authority's Bonds. The amendment permitted the pledge of the TOT revenues to the 2020 City Bonds issued.

Transactions

Transactions between the Authority and the City in 2022 and 2021 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 2022 reflects an increase in leisure and corporate travel to the Bellevue area.

These transactions are summarized below:

City's TOT Receipts remitted to the Authority:	
Total 2022 Payments (Operating funds)	$ 5,992,933
Total 2021 Payments (Operating funds)	$ 2,312,812

Total Accounts Receivable from the City as of December 31, 2022 includes:

	2022	2021
TOT Payments	$461,749	$403,695

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

	2022	2021
City Oversight	$5,025	$4,761

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 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.

Seventh Amendment to the Operating Agreement

On November 9, 2020, the City Council adopted Bellevue City Ordinance No. 6543, authorizing issuance of 2020 City Bonds and to apply a portion of the proceeds of the 2020 Bonds to refinance the 1994 Authority Bonds. The city thereby took full ownership of the 2020 Bond liability on their balance sheet and removed further debt obligations from the Authority. The Authority contributed funds from their Trustee accounts for the 1994 bonds and the Debt Service Reserve Fund to accomplish the debt refinancing. Beginning in November 2020, the City will retain the TOT funds to cover the related debt up to the point that the annual bond payments related to the convention center are fully paid and the remaining TOT funds will be transferred to the Authority to cover operations, destination marketing, and capital.

The Seventh Amendment provides for the issuance of the 2020 City Bonds, the proceeds of which are to be applied to prepay its Unadjusted Period Rent obligations under the Lease Purchase Agreement ("Lease Purchase Rent") in order to defease all Outstanding Authority Bonds and to defease and refund the 2010 City Bonds (the "Refinancing Plan"). The Seventh Amendment is intended to have no effect on any other terms of the Operating Agreement and all other terms of the Operating Agreement are intended to remain in effect.

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. Beginning in February 2016, the 2% TOT revenues began to pay principal and interest on the City's 2015 bonds.

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 2022 and 2021. In 2022, less the deduction for the 1995, 2015, 2020A, and 2020B Debt Service, TOT revenues increased by $3,680,121 or 159.1% over 2021. The variance is a positive indication that leisure and corporate travel is starting to recover within the local lodging industry.

	2022	2021
TOT Revenues	9,827,448	4,543,213
Deduction for 1995, 2015, 2020A, & 2020B Debt Service	(3,834,514)	(2,230,401)
Non-Operating Revenues/TOT Reported	**$ 5,992,933**	**$ 2,312,812**

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 2022, the Authority received no contributions.

Note 10 - Contingencies and Litigation

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

Note 11 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The financial impact to the Authority has been significant in terms of loss of TOT revenue and reduction in number of events that could be conducted. Additionally, it resulted in the layoffs of a significant portion of our staff. In August 2020, King County began renting the convention center monthly to conduct jury trials for civil cases. King County continued renting the facility through July 2021. As public events and gatherings were allowed to increase in 2022, we were able to rehire staff and resume to more normal levels of operation. Management will continue to actively monitor the situation and make necessary adjustments to ensure the financial sustainability for the BCCA in fiscal year 2023 and future years.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Authority is unknown at this time.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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