



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellevue Convention Center Authority

(Meydenbauer Center)

For the period January 1, 2022 through December 31, 2023

Published July 1, 2024

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

July 1, 2024

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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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*

Meydenbauer Center January 1, 2022 through December 31, 2023

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, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 24, 2024.

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.

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

June 24, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Meydenbauer Center January 1, 2022 through December 31, 2023

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, 2023 and 2022, 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, 2023 and 2022, 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 8 to the 2023 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 8. 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 June 24, 2024 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.

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

June 24, 2024

FINANCIAL SECTION

Meydenbauer Center January 1, 2022 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023 and 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023 and 2022

Statement of Revenues, Expenses and Changes in Net Position – 2023 and 2022

Statement of Cash Flows – 2023 and 2022

Notes to the Financial Statements – 2023 and 2022

Management's Discussion and Analysis For the Year Ending December 31, 2023

This narrative provides an overview and analysis of the Bellevue Convention Center Authority's financial activities for the fiscal year ended December 31, 2023. 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 Annual Comprehensive Financial Report.

The Authority derives its revenue from the City's lease and operation payments, the City's Tourism Promotion Area (TPA) consultant services reimbursement payments, and from user fees paid by customers for the Convention Center, Visit Bellevue, and Theatre. The City's monthly lease and operation payments equal the Transient Occupancy Tax (TOT) receipts collected by the City. The City's monthly TPA consultant services reimbursement payments equal the expenditures made by the Authority from TPA assessment 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.

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.

Overall, *Net Position* increased \$1.2 million (3.1%) resulting in an ending balance of \$40.2 million in 2022.

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 2 (Deposits and Investments) in the Financial Notes. The difference between the cash invested directly by the Authority in Note 2 (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

| | 2023 | 2022 | 2021 |
|---|---------------------|---------------------|--------------------|
| Net cash provided by (used in) operating activities | (\$3,749,351) | (\$3,441,519) | (\$1,550,053) |
| Net cash provided by (used in) non-capital financing activities | 11,325,215 | 9,926,947 | 5,620,094 |
| Net cash provided by (used in) capital & related financing activities | (7,020,819) | (5,798,654) | (3,703,450) |
| Net cash (used in) provided by investing activities | 444,752 | 132,159 | 1,299,925 |
| Net increases (decrease) in cash and cash equivalents | 999,797 | 818,933 | 1,666,517 |
| Beginning cash and cash equivalents | 10,322,440 | 9,503,508 | 7,836,991 |
| Ending cash and cash equivalents | \$11,322,237 | \$10,322,440 | \$9,503,508 |

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

| | 2023 | 2022 | Difference | 2021 |
|-------------------------------|---------------------|---------------------|------------------|---------------------|
| Building | \$64,310,656 | \$62,764,638 | \$1,546,018 | \$62,674,039 |
| Equipment | 7,824,523 | 5,850,953 | 1,973,570 | 5,437,056 |
| Less: accumulated depreciatio | (42,086,083) | (40,309,140) | (1,776,944) | (38,667,837) |
| Art | 156,324 | 156,324 | - | 156,324 |
| Construction in Progress | 666,810 | 1,936,183 | (1,269,372) | 871,961 |
| Total Capital Assets | \$30,872,231 | \$30,398,958 | \$473,273 | \$30,471,543 |

2023 Compared to 2022

In 2023, several projects were completed and capitalized, which resulted in an increase in building and equipment by \$1.5 million and \$2.0 million, respectively. Accumulated Depreciation reduced overall Total Capital Assets by \$1.8 million (4.4%). Construction in Progress realized a \$1.3 million (65.6%) decrease as a result from 2022 capital projects that that were substantially completed in 2023.

Highlights of the asset placed into service include the following:

- \$1,419,474 for Boiler Upgrade
- \$1,175,555 for Elevator Modernization
- \$326,490 for Cooling Tower
- \$245,279 for Wireless System
- \$113,552 for Theatre Stage Fixtures Modernization
- \$88,204 for Visit Bellevue Electric Cart
- \$29,738 for Automatic Door System - ADA
- \$28,816 for Theatre Projector
- \$20,915 for Lighting Controls

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

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 2023, the Authority held no outstanding debt.

V. ECONOMIC FACTORS AND CONDITIONS THAT MAY IMPACT FINANCES

TOT Revenues – In 2023, the Bellevue hotel industry continued to experience impacts due to the pandemic. Occupancy and hotel room supply were down 11% and 5%, respectively, compared to pre-pandemic levels in 2019. The 2023 Transient Occupancy Tax Analysis performed by CBRE Hotels, Inc. forecasts similar revenue collections in 2024 as compared to 2023. They project a gradual recovery period post-COVID-19 in the years 2025-2027 until the market makes a full recovery in 2028. 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 2024. Current booking data indicates that the 2024 event booking pace and revenue projections will be 80% of our pre-pandemic revenue year in 2019.

Refer to Note 8 for COVID-19 Pandemic information.

VI. REQUESTS FOR INFORMATION

The purpose of this report is to provide a general overview of the Authority's finances. Questions concerning this report or requests for additional information should be addressed to 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, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | | |
| Cash on hand and in bank | \$5,977,338 | \$5,660,989 |
| Leasehold reserve | 1,598,955 | 1,481,089 |
| Repair, replacement, and enhancement reserve | 3,409,799 | 2,860,884 |
| Total cash and cash equivalents | <u>10,986,092</u> | <u>10,002,962</u> |
| Receivables, net | 130,926 | 188,961 |
| Other Receivables | 1,417,634 | 524,032 |
| Total receivables, net | <u>1,548,561</u> | <u>712,993</u> |
| Restricted assets | | |
| Operating reserve | 336,145 | 319,478 |
| Total restricted assets | <u>336,145</u> | <u>319,478</u> |
| Inventories | 99,409 | 71,563 |
| Prepaid expenses | 237,563 | 250,912 |
| Total current assets | <u>13,207,769</u> | <u>11,357,908</u> |
| Noncurrent assets: | | |
| Capital assets not being depreciated | 823,134 | 2,092,507 |
| Capital assets net of accumulated depreciation | 30,049,096 | 28,306,451 |
| Total noncurrent assets | <u>30,872,231</u> | <u>30,398,958</u> |
| TOTAL ASSETS | <u>\$ 44,080,000</u> | <u>\$ 41,756,866</u> |

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

| | 2023 | 2022 |
|-------------------------------------|---------------------|---------------------|
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Accounts payable | \$466,285 | \$118,301 |
| Retainage payable | - | 12,229 |
| Deposits payable | 898,661 | 856,837 |
| Accrued payroll | 247,275 | 224,203 |
| Compensated absences | 23,578 | 17,164 |
| Sales tax payable | 26,273 | 51,990 |
| Other accrued liabilities | 82,620 | 113,787 |
| Total current liabilities | 1,744,692 | 1,394,511 |
| Noncurrent liabilities: | | |
| Deposits Payable | 54,265 | 46,383 |
| Compensated absences | 212,202 | 154,479 |
| Total noncurrent liabilities | 266,467 | 200,862 |
| TOTAL LIABILITIES | \$2,011,158 | \$1,595,372 |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 30,771,833 | 30,398,958 |
| Unrestricted | 11,297,008 | 9,762,535 |
| TOTAL NET POSITION | \$42,068,842 | \$40,161,493 |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Food & beverage | \$5,099,695 | \$4,108,630 |
| Event services | 976,400 | 815,063 |
| Rent | 1,130,504 | 950,361 |
| Parking | 694,046 | 542,406 |
| Theatre | 660,638 | 444,102 |
| Visit Bellevue | 719,041 | 14,459 |
| Other | 43,663 | 42,677 |
| TOTAL OPERATING REVENUES | <u>9,323,987</u> | <u>6,917,698</u> |
| OPERATING EXPENSES: | | |
| Personnel | 7,095,178 | 5,246,462 |
| Other administrative and general | 1,655,408 | 1,606,318 |
| Cost of goods and services | 858,273 | 711,402 |
| Marketing | 118,634 | 86,212 |
| Utilities and maintenance | 995,445 | 966,968 |
| Parking | 160,709 | 120,459 |
| Theatre operating expenses | 28,729 | 22,391 |
| Visit Bellevue operating expenses | 1,726,684 | 1,129,743 |
| Depreciation | 1,792,506 | 1,788,301 |
| TOTAL OPERATING EXPENSES | <u>14,431,566</u> | <u>11,678,256</u> |
| OPERATING INCOME (LOSS) | <u>(5,107,578)</u> | <u>(4,760,558)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| From transient occupancy tax | 6,613,097 | 5,992,933 |
| Leasehold income | 40,600 | 34,433 |
| Interest income | 444,752 | 132,159 |
| Gain (Loss) on sale of capital assets | (16,956) | (282) |
| Other nonoperating expense | (66,566) | (183,076) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>7,014,927</u> | <u>5,976,167</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>1,907,348</u> | <u>1,215,608</u> |
| CHANGE IN NET POSITION | 1,907,348 | 1,215,608 |
| TOTAL NET POSITION-BEGINNING | 40,161,493 | 38,945,885 |
| TOTAL NET POSITION-ENDING | <u>\$42,068,842</u> | <u>\$40,161,493</u> |

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, 2023 and 2022

| | 2023 | 2022 |
|---|-----------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$8,538,127 | \$6,476,757 |
| Payment to suppliers | (5,279,508) | (4,801,328) |
| Payment to employees | (7,007,970) | (5,116,949) |
| Net cash (used) by operating activities | <u>(3,749,351)</u> | <u>(3,441,519)</u> |
| Cash flows from noncapital financing activities | | |
| Contributions by municipalities and others: | | |
| Lease purchase rent payments | 4,738,084 | 4,082,657 |
| TOT operating payments | 6,613,097 | 5,992,933 |
| Leasehold Rental income | 40,600 | 34,433 |
| Site lease and related costs | (24,51) | (36) |
| RREF expense | (66,542) | (183,040) |
| Net cash provided by noncapital financing activities | <u>11,325,215</u> | <u>9,926,947</u> |
| Cash flows from capital and related financing activities | | |
| Transfer (to) from 1995 and 2002 bond payment fund | (4,738,084) | (4,082,657) |
| Capital expenditures | (2,265,778) | (1,716,270) |
| Proceeds from sales of fixed assets | (16,956) | 272 |
| Net cash (used) by capital and related financing activities | <u>(7,020,819)</u> | <u>(5,798,654)</u> |
| Cash flows from investing activities | | |
| Sale/maturity (purchase) of investments securities and funding of reserves: | | |
| Interest received on investments | 444,752 | 132,159 |
| Net cash (used) provided by investing activities | <u>444,752</u> | <u>132,159</u> |
| Net increase (decrease) in cash and cash equivalents | 999,797 | 818,933 |
| Balance - beginning of the year | 10,322,440 | 9,503,508 |
| Balance - end of the year | <u>\$11,322,237</u> | <u>\$10,322,440</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | (\$5,107,577) | (\$4,760,558) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 1,792,506 | 1,788,301 |
| Change in assets and liabilities: | | |
| Receivables | (835,568) | (217,243) |
| Inventories | (27,846) | 19,369 |
| Prepaid expenses | 13,349 | (49,932) |
| Deposits payable | 49,707 | (223,697) |
| Wages and benefits payable | 23,071 | 61,540 |
| Compensated absences payable | 64,136 | 67,973 |
| Accounts payable | 347,984 | (258,554) |
| Sales tax payable | (25,717) | 44,680 |
| Other accrued liabilities | (31,167) | 74,374 |
| Retainage payable | (12,229) | 12,229 |
| Total change in assets and liabilities | <u>1,358,227</u> | <u>1,319,039</u> |
| Net cash (used) by operating activities | <u>(\$3,749,350)</u> | <u>(\$3,441,519)</u> |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Cash and cash equivalents | | |
| Current assets | | |
| Cash on hand and in bank | \$5,977,338 | \$5,660,989 |
| Leasehold fund | 1,598,955 | 1,481,089 |
| Repair, replacement, and enhancement fund | 3,409,799 | 2,860,884 |
| CASH AND CASH EQUIVALENTS | <u>10,986,092</u> | <u>10,002,962</u> |
| Restricted cash | | |
| Operating fund | 336,145 | 319,478 |
| RESTRICTED CASH | <u>336,145</u> | <u>319,478</u> |
| TOTAL RESTRICTED AND UNRESTRICTED CASH | <u>\$11,322,237</u> | <u>\$10,322,440</u> |

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 7), 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, Inc. and Absher Construction Company 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. Both the Lease Purchase Rent and Operating payments are paid to the Authority from the Transient Occupancy Tax (TOT) receipts of the City (Note 7).

The Operating payment amount is equal to the TOT receipts of the City less the payment for lease purchase rent and other amounts (Note 7).

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 7 - 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 2 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 and operating reserves. The current portion of related liabilities is shown as Liabilities Payable from Restricted Assets.

The restricted assets are composed of the following:

| | |
|-------------------|------------|
| Operating Reserve | \$ 336,145 |
|-------------------|------------|

Capital Assets (See Note 3)

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.

| | 2023 | 2022 |
|--|---------------------|--------------------|
| Unrestricted net position | | |
| Reserved for: | | |
| Operations | \$336,145 | \$319,478 |
| Repair, replacement, and enhancement | 3,409,799 | 2,860,884 |
| Leasehold | 1,558,355 | 1,481,089 |
| Construction in Progress | (666,810) | (1,936,183) |
| Unreserved | 4,752,172 | 5,821,659 |
| Current Year Income (Loss) | \$1,907,348 | \$1,215,608 |
| Total unrestricted net position | \$11,297,008 | \$9,762,535 |

Long-Term Liabilities (See Note 6)

Note 2 - Deposits and Investments with Financial Institutions

A. Deposits

The Authority's cash and cash equivalents on December 31, 2023 were \$11,322,237 and \$10,322,440 on December 31, 2022.

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, 2023, 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 12/31/2023

| Investment Type | Fair Value | Less Than 1 |
|-----------------|---------------------|---------------------|
| LGIP | 9,174,980 | 9,174,980 |
| | <u>\$ 9,174,980</u> | <u>\$ 9,174,980</u> |

Investment Maturities (in Years) as of 12/31/2022

| Investment Type | Fair Value | Less Than 1 |
|-----------------|---------------------|---------------------|
| LGIP | 8,930,464 | 8,930,464 |
| | <u>\$ 8,930,464</u> | <u>\$ 8,930,464</u> |

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, 2023 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>.

Note 3 - 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:

| | 2023 | | | | 2022 | | | |
|---|----------------------------------|-----------------------|--------------------|---------------------------------|----------------------------------|-----------------------|-------------------|---------------------------------|
| | Beginning Balance 1/1/2023 | Increases | Decreases | Ending Balance 12/31/2023 | Beginning Balance 1/1/2022 | Increases | Decreases | Ending Balance 12/31/2022 |
| Activities: | | | | | | | | |
| Capital assets, not being depreciated: | | | | | | | | |
| Art | \$ 156,324 | - | - | \$ 156,324 | \$ 156,324 | - | - | \$ 156,324 |
| Construction in progress | 1,936,182 | 2,435,345 | (3,704,717) | 666,810 | 871,961 | 1,906,028 | (841,806) | 1,936,182 |
| Total capital assets, not being depreciated: | <u>2,092,506</u> | <u>2,435,345</u> | <u>(3,704,717)</u> | <u>823,134</u> | <u>1,028,285</u> | <u>1,906,028</u> | <u>(841,806)</u> | <u>2,092,506</u> |
| Capital assets, being depreciated: | | | | | | | | |
| Building | 62,764,638 | 1,578,572 | (32,553) | 64,310,657 | 62,674,040 | 150,755 | (60,156) | 62,764,638 |
| Equipment | 5,850,953 | 1,973,570 | - | 7,824,524 | 5,437,057 | 501,294 | (87,397) | 5,850,953 |
| Total capital assets, being depreciated: | <u>68,615,591</u> | <u>3,552,142</u> | <u>(32,553)</u> | <u>72,135,180</u> | <u>68,111,096</u> | <u>652,048</u> | <u>(147,553)</u> | <u>68,615,591</u> |
| Less accumulated depreciation for: | | | | | | | | |
| Building | (35,221,896) | (1,722,092) | 15,562 | (36,928,426) | (33,783,817) | (1,498,235) | 60,156 | (35,221,896) |
| Equipment | (5,087,244) | (70,414) | - | (5,157,658) | (4,884,020) | (290,135) | 86,912 | (5,087,244) |
| Total accumulated depreciation: | <u>(40,309,140)</u> | <u>(1,792,505.84)</u> | <u>15,562.23</u> | <u>(42,086,083)</u> | <u>(38,667,837.26)</u> | <u>(1,788,370.22)</u> | <u>147,067.66</u> | <u>(40,309,140)</u> |
| Total capital assets being depreciated, net | <u>28,306,452</u> | <u>1,759,636</u> | <u>(16,991)</u> | <u>30,049,097</u> | <u>29,443,259</u> | <u>(1,136,322)</u> | <u>(486)</u> | <u>28,306,452</u> |
| Capital assets, net | \$ 30,398,958 | 4,194,981 | (3,721,708) | \$ 30,872,231 | \$ 30,471,543 | 769,706 | (842,292) | \$ 30,398,958 |

Note 4 - 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, 2023, there were 59 participants in the Plan. Covered payroll for the year was \$4,157,834 out of a total annual payroll of \$5,471,932. Actual contributions by Meydenbauer Center were \$184,564; actual employee contributions were \$209,021. 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 and employees were \$138,946 and \$158,732, 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 \$22,500 per year to this plan and employees over 50 may contribute an additional \$7,500 per year.

Note 5 - 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.

Note 6 - Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

| For 2023 | Balance 1/1/23 | Additions | Reductions | Balance 12/31/23 | Due Within One Year |
|----------------------|----------------|-----------|-------------|------------------|---------------------|
| Compensated Absences | \$ 171,643 | 551,558 | (487,422) | 235,780 | \$ 23,578 |
| Deposits Payable | 903,219 | 2,895,715 | (2,846,008) | 952,926 | 898,661 |
| Total | \$ 1,074,863 | 3,447,273 | (3,333,430) | 1,188,706 | \$ 922,239 |

Note 7 - 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, 2034, 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.

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. 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.

Transactions between the Authority and the City in 2023 and 2022 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 2023 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 2023 Payments (Operating funds) | \$ 6,613,097 |
| Total 2022 Payments (Operating funds) | \$ 5,992,933 |

Total Accounts Receivable from the City as of December 31, 2023 includes:

| | 2023 | 2022 |
|--------------|-----------|-----------|
| TOT Payments | \$666,053 | \$461,749 |

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

| | 2023 | 2022 |
|----------------|---------|---------|
| City Oversight | \$5,008 | \$5,025 |

Impact from the Amendments on Transient Occupancy Tax

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 2023 and 2022. In 2023, less the deduction for the 1995, 2015, 2020A, and 2020B Debt Service, TOT revenues increased by \$1,742,188 or 17.7% over 2022. The variance is a positive indication that leisure and corporate travel is starting to recover within the local lodging industry.

| | 2023 | 2022 |
|---|---------------------|---------------------|
| TOT Revenues | \$ 11,569,635 | \$ 9,827,448 |
| Deduction for 1995, 2015, 2020A, & 2020B Debt Service | (4,956,538) | (3,834,514) |
| Non-Operating Revenues/TOT Reported | \$ 6,613,097 | \$ 5,992,933 |

Administrative Agreement for Operation of the Bellevue Tourism Promotion Area (TPA) Zone

In connection with the services related to the promotion of tourism in the City, the City and the Authority have entered into a Professional Services Agreement. As the Professional Services Agreement stipulates, all assessment receipts paid and services provided under the agreement shall be exclusively within or for the benefit of the BRTPA – Bellevue Zone and for “tourism promotion” as that term is defined under chapter 35.101 RCW and chapter BCC 4.60, beginning on January 3, 2024, the date the City issued the agreement. The City will reimburse for any expenditures consistent with the agreement that were incurred on or after October 16, 2023. The agreement will terminate on December 31, 2024.

The Administrative Agreement for Operation of the Bellevue TPA Zone payments are equal to the expenditures made by the Authority for tourism promotion from TPA assessment receipts collected by the City. The payments made by the City will not exceed an amount of \$3,726,160 by the end of 2024.

Transactions between the Authority and the City in 2023 include remittance of TPA reimbursements to the Authority from the City's TPA receipts.

These transactions are summarized below:

Total Accounts Receivable from the City as of December 31, 2023 includes:

| | 2023 | 2022 |
|--------------|-----------|------|
| TPA Payments | \$702,361 | \$0 |

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 2023, the Authority received no contributions.

Note 8 – 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 2024 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.

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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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