

**Lancaster County Convention  
Center Authority**

Financial Statements with  
Supplementary Information

Years Ended December 31, 2023 and 2022  
with Independent Auditor's Report

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

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## Independent Auditor's Report

**Board of Directors  
Lancaster County Convention Center Authority**

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the business-type activities of the Lancaster County Convention Center Authority (Authority), a component unit of the County of Lancaster, 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 table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2023 and 2022, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinion. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
March 28, 2024

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

|                                     | <u>2023</u>          | <u>2022</u>          |
|-------------------------------------|----------------------|----------------------|
| <b>Assets</b>                       |                      |                      |
| Current assets:                     |                      |                      |
| Cash and cash equivalents           | \$ 664,135           | \$ 2,482,540         |
| Investments                         | 1,305,966            | -                    |
| Receivables:                        |                      |                      |
| Taxes                               | 1,429,192            | 1,239,354            |
| Other                               | 308,151              | 109,468              |
| Accrued interest receivable         | 85,073               | -                    |
| Due from Aimbridge Hospitality      | 434,692              | 132,829              |
| Inventory                           | 18,324               | 22,118               |
| Prepaid expenses                    | 179,930              | 174,161              |
| Other asset                         | 299                  | 13,650               |
| Total current assets                | <u>4,425,762</u>     | <u>4,174,120</u>     |
| Restricted assets:                  |                      |                      |
| Cash and cash equivalents           | 526,637              | 6,569,853            |
| Investments                         | 20,615,418           | 12,028,423           |
| Total restricted assets             | <u>21,142,055</u>    | <u>18,598,276</u>    |
| Capital assets:                     |                      |                      |
| Land                                | 1,607,517            | 1,607,517            |
| Building                            | 76,657,196           | 76,461,640           |
| Furniture, fixtures, and equipment: |                      |                      |
| Convention Center                   | 6,055,815            | 5,837,577            |
| Penn Square Condominium Association | 515,292              | 515,292              |
| Office                              | 8,451                | 8,451                |
|                                     | <u>84,844,271</u>    | <u>84,430,477</u>    |
| Less: accumulated depreciation      | 34,556,116           | 32,288,190           |
| Net capital assets                  | <u>50,288,155</u>    | <u>52,142,287</u>    |
| <b>Total Assets</b>                 | <u>\$ 75,855,972</u> | <u>\$ 74,914,683</u> |

(Continued)

| <b>Liabilities and Net Position</b>                        | <u>2023</u>                 | <u>2022</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Liabilities:</b>  |                             |                             |
| Current liabilities:                                       |                             |                             |
| Accounts payable   | \$ 11,481                   | \$ 77,540                   |
| Accrued payroll and payroll expense                        | 4,792                       | 483                         |
| Other accrued expenses                                     | 268,069                     | 244,086                     |
| Current portion of bonds payable                           | 840,000                     | 1,000,000                   |
| Unearned revenue   | 237,820                     | 162,212                     |
| Contingency fee payable                                    | 50,000                      | 50,000                      |
| Total current liabilities                                  | <u>1,412,162</u>            | <u>1,534,321</u>            |
| Current liabilities (payable from restricted assets):      |                             |                             |
| Accrued interest payable                                   | 259,231                     | 240,898                     |
| Due to Discover Lancaster                                  | 1,951,955                   | 1,840,498                   |
| Total current liabilities (payable from restricted assets) | <u>2,211,186</u>            | <u>2,081,396</u>            |
| Long-term liabilities:                                     |                             |                             |
| Reimbursement for contingency payable                      | 200,000                     | 250,000                     |
| Bonds payable, net   | 65,627,149                  | 66,385,982                  |
| Total long-term liabilities                                | <u>65,827,149</u>           | <u>66,635,982</u>           |
| Total Liabilities  | <u>69,450,497</u>           | <u>70,251,699</u>           |
| <b>Net Position:</b>                                       |                             |                             |
| Net investment in capital assets                           | (2,018,221)                 | (1,720,392)                 |
| Restricted   | 13,982,938                  | 12,578,221                  |
| Unrestricted   | (5,559,242)                 | (6,194,845)                 |
| Total Net Position   | <u>6,405,475</u>            | <u>4,662,984</u>            |
| <b>Total Liabilities and Net Position</b>                  | <u><u>\$ 75,855,972</u></u> | <u><u>\$ 74,914,683</u></u> |
|  |                             | (Concluded)                 |

The accompanying notes are an integral part of these financial statements.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEARS ENDED DECEMBER 31, 2023 AND 2022

|  | 2023         | 2022         |
|--|--------------|--------------|
| <b>Operating Revenues:</b>                     |              |              |
| Conference services                            | \$ 2,482,177 | \$ 2,100,543 |
| Concession                                     | 269,378      | 156,988      |
| Other  | 9,566        | 56,405       |
| Total operating revenues                       | 2,761,121    | 2,313,936    |
| <b>Operating Expenses:</b>                     |              |              |
| Departmental expenses                          | 1,393,261    | 1,216,261    |
| Undistributed operating expenses               | 1,856,485    | 1,731,992    |
| Management fees                                | 210,024      | 210,024      |
| Fixed charges                                  | 100,587      | 89,586       |
| Capital/development costs                      | 12,912       | 19,385       |
| Total operating expenses                       | 3,573,269    | 3,267,248    |
| <b>Other Operating Expenses:</b>               |              |              |
| Administrative expenses                        | 618,905      | 484,302      |
| Collaboration Agreement - Marketing Consortium | 419,410      | 305,746      |
| Depreciation                                   | 2,267,926    | 2,430,083    |
| Total other operating expenses                 | 3,306,241    | 3,220,131    |
| <b>Operating Loss</b>                          | (4,118,389)  | (4,173,443)  |
| <b>Non-Operating Revenues (Expenses):</b>      |              |              |
| Hotel room rental tax income                   | 7,997,656    | 7,385,526    |
| Investment income                              | 886,249      | 143,853      |
| Amounts received from the County of Lancaster  | -            | 4,220,366    |
| Other income                                   | 19,595       | 13,905       |
| Bond issuance costs                            | -            | (689,121)    |
| Interest expense                               | (3,042,620)  | (2,265,264)  |
| Change in fair value of interest rate swap     | -            | 14,249,042   |
| Total non-operating revenues (expenses)        | 5,860,880    | 23,058,307   |
| <b>Change in Net Position</b>                  | 1,742,491    | 18,884,864   |
| <b>Net Position:</b>                           |              |              |
| Beginning of period                            | 4,662,984    | (14,221,880) |
| End of period                                  | \$ 6,405,475 | \$ 4,662,984 |

The accompanying notes are an integral part of these financial statements.



# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

|  | 2023         | 2022         |
|--|--------------|--------------|
| <b>Cash Flows From Operating Activities:</b>                               |              |              |
| Operating receipts   | \$ 2,588,046 | \$ 2,263,769 |
| Payments to suppliers for operating expenses                               | (4,695,237)  | (3,977,648)  |
| Payments to suppliers for project development costs                        | (12,912)     | (19,385)     |
| Payments to employees  | (245,040)    | (234,797)    |
| Net cash provided by (used in) operating activities                        | (2,365,143)  | (1,968,061)  |
| <b>Cash Flows From Noncapital Financing Activities:</b>                    |              |              |
| Interest rate swap termination payment                                     | -            | (9,338,000)  |
| Net cash provided by (used in) operating activities                        | -            | (9,338,000)  |
| <b>Cash Flows From Capital and Related Financing Activities:</b>           |              |              |
| Purchase of capital assets   | (413,794)    | (190,746)    |
| Principal payments on bonds payable  | (1,000,000)  | (58,990,000) |
| Issuance of refunding bonds, net of discount                               | -            | 67,385,982   |
| Receipts from hotel room rental tax  | 9,759,773    | 9,202,491    |
| Payment to Discover Lancaster  | (1,840,498)  | (1,412,861)  |
| Amounts received from the County of Lancaster                              | -            | 4,220,366    |
| Other receipts   | 19,595       | 13,905       |
| Interest expense paid  | (3,024,287)  | (2,879,011)  |
| Bond issuance costs  | -            | (689,121)    |
| Net additions/withdrawals from accounts restricted for capital replacement | (776,785)    | (973,431)    |
| Net cash provided by (used in) capital and related financing activities    | 2,724,004    | 15,687,574   |
| <b>Cash Flows From Investing Activities:</b>                               |              |              |
| Proceeds from the sale of investments                                      | 24,495,016   | 19,816,847   |
| Purchase of investments  | (27,558,531) | (24,619,109) |
| Interest income received   | 886,249      | 143,853      |
| Net cash provided by (used in) investing activities                        | (2,177,266)  | (4,658,409)  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                | (1,818,405)  | (276,896)    |
| <b>Cash and Cash Equivalents</b>   |              |              |
| Beginning of period  | 2,482,540    | 2,759,436    |
| End of period  | \$ 664,135   | \$ 2,482,540 |

(Continued)

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Continued)

|  | 2023           | 2022           |
|--|----------------|----------------|
| <b>Reconciliation of Operating Loss to Net Cash<br/>Used in Operating Activities:</b>              |                |                |
| Operating loss   | \$ (4,118,389) | \$ (4,173,443) |
| Adjustments to reconcile operating loss to<br>net cash provided by (used in) operating activities: |                |                |
| Depreciation   | 2,267,926      | 2,430,083      |
| (Increase) decrease in:  |                |                |
| Other receivables  | (198,683)      | (34,802)       |
| Due from Aimbridge Hospitality   | (301,863)      | (132,829)      |
| Inventory  | 3,794          | (11,701)       |
| Other prepaid expenses   | (5,769)        | (22,592)       |
| Increase (decrease) in:  |                |                |
| Accounts payable   | (66,059)       | 6,183          |
| Accrued payroll and payroll expenses   | 4,309          | (3,750)        |
| Contingency fee payable  | (50,000)       | (50,000)       |
| Other accrued expenses   | 23,983         | 13,600         |
| Due to Aimbridge Hospitality   | -              | (23,445)       |
| Unearned revenue   | 75,608         | 34,635         |
| Total adjustments  | 1,753,246      | 2,205,382      |
| Net cash provided by (used in) operating activities  | \$ (2,365,143) | \$ (1,968,061) |
|  |                | (Concluded)    |

The accompanying notes are an integral part of these financial statements.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 1. Significant Accounting Policies

#### Reporting Entity

The Lancaster County Convention Center Authority (Authority), a component unit of the County of Lancaster (County), was formed on September 15, 1999, under the Municipality Authorities Act of 1945 and the Third-Class County Convention Center Authority Act. The purpose of the Authority is to provide financing and arrange for the development, construction, and operation of convention center facilities for the public purpose of promoting, attracting, stimulating, developing, and expanding business, industry, commerce, and tourism in the Commonwealth of Pennsylvania.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Authority and any component units. Component units are separate legal entities that (1) governing officials of a primary government are financially accountable for or (2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the separate legal entity from the financial reporting entity would render the financial statements misleading or incomplete.

The Authority is part of the County's reporting entity based on the above criteria. These are the separate component unit financial statements of the Authority. No other entities are required to be included based on the above criteria.

A business plan was developed, which allowed the construction of the Lancaster County Convention Center (Center) and the Lancaster Marriott at Penn Square. The plan was the result of a complex and cooperative effort among government and community leaders and public and private partners. Throughout 2007 – 2009, the Authority incurred construction costs associated with the project.

The Lancaster County Convention Center and the Lancaster Marriott at Penn Square opened for operations on June 19, 2009.

The Center began operations on June 19, 2009 under the Qualified Convention Center Management Agreement, dated January 23, 2002, between the Authority and Aimbridge Hospitality (formerly Interstate Hotels & Resorts (IHR)). The Qualified Convention Center Management Agreement is for the period commencing with the opening of the convention

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# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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center and expiring on June 19, 2019. On June 9, 2019, the Authority and IHR entered into the Amended and Restated Qualified Convention Center Management Agreement. The term of the Amended and Restated Qualified Convention Center Management Agreement is June 9, 2019 through June 19, 2029. Thereafter, the Amended and Restated Qualified Convention Center Management Agreement may be renewed for one renewal period of five years if mutually agreed to, in writing, by both parties.

Penn Square Partners (PSP) and the Authority agreed to an amended and restated declaration of Condominium in April 2017, in which the Authority agreed to permit the new Marriott Tower to be included into the Penn Square Condominium Association. Construction on the new Marriott Tower began in 2017 and was completed in August 2019.

### Basis of Accounting

The Authority's financial statements are presented using the accrual basis of accounting, under which revenues are recorded in the period that they are earned, and expenses are recorded when the liability is incurred.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority measures and reports all assets, liabilities, revenues, expense, gains, and losses using the economic resources measurement focus and accrual basis of accounting.

The Authority is a member of the Penn Square Condominium Association, which is comprised of two ownership groups. The other ownership group is PSP, a private entity. Each ownership group has their own business operation with revenues and expenses, as described in the development agreements. Where tracking actual expenses would become too costly, approved allocation methodologies have been incorporated. These allocations are described in the IHR Operational Expense Guidelines (Guidelines). The Guidelines only interpret the governing documents and do not rewrite them.

### Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Investments

The Authority accounts for investments at fair value. The fair value of the Authority's investments is based upon values provided by external investment managers and quoted market prices.

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

### Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, Collaboration Agreement funds, and Marketing Consortium funds are classified as restricted assets on the balance sheet, because the use of the funds is limited by applicable trust indentures or other agreements.

### Capital Assets

Capital assets are carried at cost, if purchased or constructed. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Building, furniture, fixtures, and equipment are depreciated over the estimated useful lives using the straight-line method.

The useful lives for purposes of computing depreciation are as follows:

|                                    |            |
|------------------------------------|------------|
| Buildings                          | 40 years   |
| Furniture, fixtures, and equipment | 3-10 years |

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

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Unearned Revenue

Unearned revenue represents deposits received by the Authority for future events. These deposits will be recognized as revenue in the period in which the event occurs.

### Net Position

Net position comprises the various net earnings from operating and non-operating revenues and expenses and contributions of capital. Net position is classified in the following three components: Net investment in capital assets; restricted for various purposes; and unrestricted net position.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount.

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

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# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating items. Revenues and expenses from operations include departmental operating revenues, departmental operating expenses, undistributed operating expenses, management and incentive fees, Collaboration Agreement – Marketing Consortium, fixed charges, administrative expenses, and depreciation. The principal operating revenues of the Authority is conference services revenue. The principal operating expenses include energy, repairs and maintenance, conference services, administration and general, and sales and marketing expenses. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

### Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, if available, and then unrestricted resources as they are needed.

### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

## **2. Hotel Room Rental Tax**

The County receives a 3.9% hotel room rental tax and a 1.1% excise tax from the operators of each hotel within the County. Of the total 3.9% tax, 20% was originally allocated to Discover Lancaster (formerly known as the Pennsylvania Dutch Convention and Visitors Bureau) to be used to promote tourism in the County, and 80% was allocated to the Authority to be used for construction and operation of the convention center facility. Revenue is recognized in the period to which the County attributed collection.

As discussed in Note 14, in July 2014, Discover Lancaster, the County, the City of Lancaster (City), the Redevelopment Authority of the City of Lancaster (RACL), the Lancaster City Revitalization and Improvement Zone Authority (Lancaster CRIZ Authority), and the Authority entered into a Collaboration Agreement. Under the Collaboration Agreement,

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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Discover Lancaster agreed to direct 100% of the hotel room rental tax revenue to the Authority for the period July 2014 through June 2019. As of December 31, 2016, and each December 31 thereafter, if the Authority's funds on deposit with the trustee under the terms of the indenture exceed \$5,750,000 after all obligations have been paid, the Authority shall remit the lesser of any funds in excess of \$5,750,000 or 20% of the year's hotel room rental tax revenue by January 15 of the following year to Discover Lancaster.

In October 2018, the Authority and Discover Lancaster entered into a memorandum of understanding which extended Discover Lancaster's commitment to directing its 20% of the hotel room rental tax revenues to the Authority through December 31, 2023.

In July 2022, the Authority and Discover Lancaster entered into memorandum of understanding which extended Discover Lancaster's commitment to directing its 20% of the hotel room rental tax revenues to the Authority through December 31, 2057.

At December 31, 2023 and 2022, the Authority's funds on deposit exceeded the established thresholds, and \$1,951,955 and \$1,840,498, respectively, of the hotel room rental tax revenue was payable to Discover Lancaster under the terms of the Collaboration Agreement and memorandums of understanding.

During the year ended December 31, 2022, the Authority also received \$4,220,366 from the County for lost hotel tax revenues during the COVID pandemic.

### **3. Lease Agreement – LancasterHistory.Org**

In December 2010, the Authority entered into a lease agreement with LancasterHistory.Org (LHO) for the lease of the Thaddeus Stevens House, Kleiss Saloon, Underground Historic Area, and other areas immediately outside the Stevens House, the Kleiss Saloon, and associated with the Underground Historic Area. LHO intends to develop a national historic exhibition on a portion of these properties. The remaining portion of the properties will be renovated and utilized by LHO. The lease commenced on December 21, 2010, for a period of twenty years. LHO is responsible for insurance and real property taxes. The basic rent for the leased properties is one dollar. Until LHO commences construction of the improvements, LHO shall pay monthly the sum of two hundred fifty dollars (\$250.00) for common area charges. After construction begins, these fees will be adjusted every three



# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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years based on actual charges. Construction on the property began during the year ended December 31, 2023.

In July 2022, the Authority entered into a new lease with LHO. The new lease term is for a period of 99 years. Base rent and additional rent charges remained the same.

#### 4. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes allow the pooling of governmental funds for investment purposes.

In June 2023, the Authority adopted an investment policy whereby certain funds held under the Hotel Room Rental Tax Revenue Bonds, Series A and B of 2022 indenture, Authority funds held for capital replacement, CRIZ funds held for replacement of furniture, fixture, and equipment (FF&E), and funds held to perform target marketing for Priority 1 and Priority 2 events may be invested in short-term U.S. Treasury obligations or other eligible investments as defined in the indenture.

##### Deposits

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

As of December 31, 2023, the book balance of the Authority was \$1,190,772 and the bank balance was \$1,004,464. At December 31, 2023, the book balance included \$526,637 and bank balance included \$539,027 of cash held with a trustee or others that is presented as restricted cash and investments on the balance sheet. As of December 31, 2022, the book balance of the Authority was \$9,052,393 and the bank balance was \$8,884,713. At December 31, 2022, the book balance included \$6,569,853 and the bank balance included \$6,582,764 of cash held with a trustee or others that is presented as restricted cash and investments on the balance sheet. Of the bank balances, \$500,000 and \$250,000 was covered by federal depository insurance at December 31, 2023 and 2022, respectively. At

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

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December 31, 2023 and 2022, the remainder of the bank balance was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

### Investments

The Authority's investments are considered Level 1 based on quoted market prices. Unrestricted and restricted investments, reported at fair value, were as follows:

| <u>December 31, 2023</u>    | <u>Total</u>         | <u>Unrestricted</u> | <u>Restricted</u>    |
|-----------------------------|----------------------|---------------------|----------------------|
| Money market funds          | \$ 2,862,217         | \$ 23,856           | \$ 2,838,361         |
| U.S. Treasury bills         | 6,503,748            | 249,108             | 6,254,640            |
| U.S. Treasury bonds & notes | 12,555,419           | 1,033,002           | 11,522,417           |
| Total Investments           | <u>\$ 21,921,384</u> | <u>\$ 1,305,966</u> | <u>\$ 20,615,418</u> |
|                             |                      |                     |                      |
| <u>December 31, 2022</u>    | <u>Total</u>         | <u>Unrestricted</u> | <u>Restricted</u>    |
| Money market funds          | <u>\$ 12,028,423</u> | <u>\$ -</u>         | <u>\$ 12,028,423</u> |

*Custodial Credit Risk* – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the Authority will not recover the value of the investment or collateral securities that are in possession of an outside party. The Authority does not have a formal policy for custodial credit risk. The Authority's investments in money market funds are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form. The Authority's investment in U.S. Treasury bills and U.S. Treasury bonds and notes carry the explicit guarantee of the U.S. government.

*Concentration of Credit Risk* - The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2023 and 2022, there were no investments held by the Authority that were subject to concentration of credit risk.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

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*Credit Risk* – The Authority limits its exposure to credit risk by permitting the Authority to invest in only U.S. government obligations or those obligations explicitly guaranteed by the U.S. government or other eligible investments as defined in the indenture. As of December 31, 2023 and 2022, the Authority's investments in money market funds and U.S. Treasury bonds and notes were rated AAAM and AAA, respectively by Moody's.

*Interest Rate Risk* – The Authority investment policy limits investment maturities to short-term U.S. Treasury obligations or other eligible investments are defined in the indenture as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following is a list of the Authority's money market fund and U.S. Treasury obligation investments and the related average maturities at December 31, 2023:

|                             | <u>Fair Value</u>    | <u>2024</u>          | <u>2025</u>       |
|-----------------------------|----------------------|----------------------|-------------------|
| Money market funds          | \$ 2,862,217         | \$ 2,862,217         | \$ -              |
| U.S. Treasury bills         | 6,503,748            | 6,503,748            | -                 |
| U.S. Treasury bonds & notes | 12,555,419           | 11,602,274           | 953,145           |
|                             | <u>\$ 21,921,384</u> | <u>\$ 20,968,239</u> | <u>\$ 953,145</u> |

At December 31, 2022 the Authority's investment in money market funds and had an average maturity of less than one year.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 5. Capital Assets

A summary of changes in capital assets for the year ending December 31 is as follows:

|   | Beginning<br>Balance<br>1/1/2023 | Additions/<br>Adjustments | Disposals/<br>Adjustments | Ending<br>Balance<br>12/31/2023 |
|---|----------------------------------|---------------------------|---------------------------|---------------------------------|
| Capital assets not being depreciated:       |                                  |                           |                           |                                 |
| Land  | \$ 1,607,517                     | \$ -                      | \$ -                      | \$ 1,607,517                    |
| Total capital assets not being depreciated  | <u>1,607,517</u>                 | <u>-</u>                  | <u>-</u>                  | <u>1,607,517</u>                |
| Capital assets being depreciated:           |                                  |                           |                           |                                 |
| Building                                    | 76,461,640                       | 195,556                   | -                         | 76,657,196                      |
| Furniture, fixtures, and equipment:         |                                  |                           |                           |                                 |
| Convention Center                           | 5,837,577                        | 218,238                   | -                         | 6,055,815                       |
| Penn Square Condominium Association         | 515,292                          | -                         | -                         | 515,292                         |
| Office                                      | 8,451                            | -                         | -                         | 8,451                           |
| Total capital assets, being depreciated     | <u>82,822,960</u>                | <u>413,794</u>            | <u>-</u>                  | <u>83,236,754</u>               |
| Less accumulated depreciation for:          |                                  |                           |                           |                                 |
| Building                                    | 26,663,070                       | 2,072,885                 | -                         | 28,735,955                      |
| Furniture, fixtures, and equipment          | 5,625,120                        | 195,041                   | -                         | 5,820,161                       |
| Total accumulated depreciation              | <u>32,288,190</u>                | <u>2,267,926</u>          | <u>-</u>                  | <u>34,556,116</u>               |
| Total capital assets being depreciated, net | <u>50,534,770</u>                | <u>(1,854,132)</u>        | <u>-</u>                  | <u>48,680,638</u>               |
| Total capital assets, net                   | <u>\$ 52,142,287</u>             | <u>\$ (1,854,132)</u>     | <u>\$ -</u>               | <u>\$ 50,288,155</u>            |

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|   | Beginning<br>Balance<br>1/1/2022 | Additions/<br>Adjustments | Disposals/<br>Adjustments | Ending<br>Balance<br>12/31/2022 |
|---|----------------------------------|---------------------------|---------------------------|---------------------------------|
| Capital assets not being depreciated:       |                                  |                           |                           |                                 |
| Land  | \$ 1,607,517                     | \$ -                      | \$ -                      | \$ 1,607,517                    |
| Total capital assets not being depreciated  | 1,607,517                        | -                         | -                         | 1,607,517                       |
| Capital assets being depreciated:           |                                  |                           |                           |                                 |
| Building                                    | 76,293,976                       | 167,664                   | -                         | 76,461,640                      |
| Furniture, fixtures, and equipment:         |                                  |                           |                           |                                 |
| Convention Center                           | 5,814,495                        | 23,082                    | -                         | 5,837,577                       |
| Penn Square Condominium Association         | 515,292                          | -                         | -                         | 515,292                         |
| Office                                      | 8,451                            | -                         | -                         | 8,451                           |
| Total capital assets, being depreciated     | 82,632,214                       | 190,746                   | -                         | 82,822,960                      |
| Less accumulated depreciation for:          |                                  |                           |                           |                                 |
| Building                                    | 24,609,326                       | 2,053,744                 | -                         | 26,663,070                      |
| Furniture, fixtures, and equipment          | 5,248,781                        | 376,339                   | -                         | 5,625,120                       |
| Total accumulated depreciation              | 29,858,107                       | 2,430,083                 | -                         | 32,288,190                      |
| Total capital assets being depreciated, net | 52,774,107                       | (2,239,337)               | -                         | 50,534,770                      |
| Total capital assets, net                   | \$ 54,381,624                    | \$ (2,239,337)            | \$ -                      | \$ 52,142,287                   |

### 6. Contingency Fee Payable

Per the second amendment to the Joint Development Agreement among the Authority, the RACL, and PSP, the Authority is to pay \$700,000 to PSP to reimburse the RACL/PSP contingency provided under the agreement. RACL/PSP agrees to use the funds received to either complete the project or to be deposited into the Furniture, Fixtures and Equipment (FF&E) Reserve Fund for the hotel. The agreement requires fourteen annual payments of \$50,000 beginning in March 2015. The Authority paid PSP \$50,000 during the years ending December 31, 2023 and 2022. The balance outstanding as of December 31, 2023 and 2022 was \$250,000 and \$300,000, respectively.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

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### 7. Bonds Payable

On December 1, 2022, the Authority's 2014 Bonds were refunded through the issuance of the Hotel Room Rental Tax Revenue Bonds, Series A and B of 2022 (2022 A and B Bonds) in the amount of \$6,755,000 and \$62,730,000, respectively. The 2022 A Bonds were used to pay a portion of the costs of terminating certain interest rate swap agreements, fund the debt service reserve funds for the 2022 A Bonds, and pay certain expenses in connection with the issuance of the 2022 A Bonds. The proceeds from the 2022 B Bonds, together with other funds from the Authority, were used to currently refund the 2014 Bonds, pay a portion of the costs of terminating certain interest rate swap agreements, fund a debt service reserve fund for the 2022 B Bonds, and pay certain expenses in connection with the issuance of the 2022 B Bonds.

The 2022 A Bonds are due in annual installments of \$45,000 to \$1,000,000 beginning in 2023 through 2030 with interest rates ranging from 4.73% to 5.17%. The 2022 B Bonds are due in annual installment of \$1,080,000 to \$3,860,000 beginning in 2030 and continuing through 2057 with interest rates ranging from 4.00% to 5.00%.

The purpose of the refunding was to terminate the risk of the swap and to fix the annual debt service payments. Fixing the debt service payments for the life of the 2022 A and B Bonds alleviated the need for renegotiating the terms of the 2014 Bonds every five years at the mandatory tender date. Refinancing the 2014 bonds at the mandatory tender date of December 31, 2023 without terminating the swap was not an option provided by the lender.

Based on the interest rates in effect at the time of refunding, total debt service was increased by \$31,851,801 through the year 2057. This increase in total debt service does not take into account any new or revised debt service requirements had the 2014 Bonds been held through the mandatory tender date of December 1, 2023. The economic loss (difference between present values of the old and new debt service payments) in the amount of \$8,445,280 is primarily the result of the \$9,338,000 value of the swaps at the date of termination. Additionally, the 2022 A and B Bonds have optional redemption terms which are more favorable than the 2014 Bonds which, if exercised, could decrease the overall debt service. The optional redemption terms are at the discretion of the Authority.

In conjunction with the issuance of the 2022 A and B Bonds, the Authority entered into a guarantee agreement with the County. Under the guaranty agreement, the County

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# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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guarantees the payment of the Authority's obligation under the Debt Service Reserve Fund Replenishment Note.

Long-term liability activity for the year ended December 31 was as follows:

| <u>Direct Borrowing</u>    | <u>Beginning of</u>  |                  |                    | <u>End of</u>        | <u>Current</u>    |
|----------------------------|----------------------|------------------|--------------------|----------------------|-------------------|
| <u>December 31, 2023</u>   | <u>Year</u>          | <u>Additions</u> | <u>Retirements</u> | <u>Year</u>          | <u>Portion</u>    |
| Bonds payable:             |                      |                  |                    |                      |                   |
| Series of 2022             | 69,485,000           | -                | 1,000,000          | 68,485,000           | 840,000           |
| Less: Discount on issuance | (2,099,018)          | -                | (81,167)           | (2,017,851)          | -                 |
|                            | <u>\$ 67,385,982</u> | <u>\$ -</u>      | <u>\$ 918,833</u>  | <u>\$ 66,467,149</u> | <u>\$ 840,000</u> |

| <u>Direct Borrowing</u>    | <u>Beginning of</u>  |                      |                        | <u>End of</u>        | <u>Current</u>      |
|----------------------------|----------------------|----------------------|------------------------|----------------------|---------------------|
| <u>December 31, 2022</u>   | <u>Year</u>          | <u>Additions</u>     | <u>Retirements</u>     | <u>Year</u>          | <u>Portion</u>      |
| Bonds payable:             |                      |                      |                        |                      |                     |
| Series of 2014             | \$ 58,990,000        | \$ -                 | \$ (58,990,000)        | \$ -                 | \$ -                |
| Series of 2022             | -                    | 69,485,000           | -                      | 69,485,000           | 1,000,000           |
| Less: Discount on issuance | -                    | (2,099,018)          | -                      | (2,099,018)          | -                   |
|                            | <u>\$ 58,990,000</u> | <u>\$ 67,385,982</u> | <u>\$ (58,990,000)</u> | <u>\$ 67,385,982</u> | <u>\$ 1,000,000</u> |

In accordance with Section 6.02 of the 2022 A and B Bonds Trust Indenture (Trust Indenture), if an event of default, such as failure to pay principal and interest on bonds when due, or any other events as defined by Section 6.01 of the Trust Indenture, the Trustee may 1) if the Authority is not collecting 100% of the hotel tax revenues, notify the County Treasurer (Treasurer) that an event of default has occurred and is continuing; and 2) pursue any available remedy to enforce the performance or compliance with any other obligation or requirement of this Trust Indenture or any of the security documents.

Upon the occurrence and continuance of an event of default under Section 6.01(c) of the Trust Indenture, the Trustee may, and if requested to do so by the holders of at least twenty-five percent (25%) in aggregate principal amount of 2022 A and B Bonds then outstanding, and if the Trustee is indemnified, the Trustee shall, exercise such of the rights and remedies conferred by the provision of Local Government Unit Debt Act.

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The debt service requirements for the 2022 Bonds are as follows:

|           | Principal     | Interest      | Total          |
|-----------|---------------|---------------|----------------|
| 2024      | \$ 840,000    | \$ 3,110,771  | 3,950,771      |
| 2025      | 885,000       | 3,069,133     | 3,954,133      |
| 2026      | 925,000       | 3,026,282     | 3,951,282      |
| 2027      | 970,000       | 2,981,223     | 3,951,223      |
| 2028      | 1,020,000     | 2,932,846     | 3,952,846      |
| 2029-2033 | 5,935,000     | 13,821,784    | 19,756,784     |
| 2024-2038 | 7,610,000     | 12,143,663    | 19,753,663     |
| 2039-2043 | 9,585,000     | 10,178,656    | 19,763,656     |
| 2044-2048 | 11,765,000    | 7,990,350     | 19,755,350     |
| 2049-2053 | 14,555,000    | 5,201,644     | 19,756,644     |
| 2054-2057 | 14,395,000    | 1,408,256     | 15,803,256     |
|           | \$ 68,485,000 | \$ 65,864,608 | \$ 134,349,608 |

### 8. Derivatives – Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in March 2007, the Authority entered into an interest-rate swap (Swap) in connection with Hotel Room Rental Tax Revenue Bonds, Series 2003 (\$40,000,000) (Series 2003 Bonds), and Hotel Room Rental Tax Revenue Bonds, Series of 2007 (\$23,920,000) (Series of 2007 Bonds), (collectively, the Series 2003 and 2007 Bonds). The intention of the Swap was effectively to change the Authority's variable interest rate on the Series of 2003 and 2007 Bonds to a synthetic fixed rate of 3.65%. Pursuant to an amended and restated confirmation between the Authority and the Counterparty, Wells Fargo Bank, dated September 28, 2011, the amortization, maturity dates, and fixed payment rates on the Swap related to the Bonds were amended.

The Swap agreements were to mature on December 1, 2042 (Series of 2003 Bonds) and December 1, 2047 (Series of 2007 Bonds), and the Swap's notional amount of \$40,000,000 and \$23,920,000, respectively, was 100% of the total issue amount of the underlying bonds. The notional amount of the Swap agreement decreases as the outstanding principal amount



# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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of the corresponding Series of 2003 Bonds and Series of 2007 Bonds were scheduled to decrease through maturing principal. The Authority pays the counterparty a fixed payment related to the applicable notional amounts of the bonds and receives a computed variable payment.

Pursuant to an amended and restated confirmation between the Authority and the Wells Fargo Bank, dated November 27, 2018, the fixed payment rates and the floating rates on the Swap related to the Series of 2003 and 2007 Bonds were amended. Effective December 1, 2018 and through the mandatory tender date of December 1, 2023, the synthetic fixed rate on the Swap applicable to the notional amount of the Series 2003 Bonds is 4.07%, the synthetic fixed rate on the Swap applicable to the notional amount of the Series of 2007 Bonds is 3.97%, and the floating rate for both the Series of 2003 and Series of 2007 Bonds is 80% of the one-month LIBOR. All other terms of the Swap remained the same.

Pursuant to the Swap agreements, the Authority pays or receives to/from the counterparty a monthly net swap payment. For the period of January 1, 2022 through the date of termination, the Authority paid \$1,344,219 and \$870,489 fixed and received \$310,033 and \$205,828 variable with respect to the Swap on the applicable notional amounts of the Series of 2003 Bonds and the applicable notional amounts of the Series of 2007 Bonds, respectively.

Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received. The fair value was based upon mid-market quotations for the transactions. Mid-market quotations were based on bid/ask quotations shown on reliable electronic information screens as of close of business on the date specified. Such amount represented the present value difference between the floating rate receipt and fixed rate payment as of the specified dates.

Due to a 2011 amendment and restatement which caused a change in the critical terms of the Swap agreements, the original Swap was effectively terminated upon amendment. At the date of amendment, the swap liability was reclassified to a swap borrowing on the balance sheet. Governmental accounting standards require that the swap borrowing be amortized to offset interest expense, straight-line, over the life of the bonds.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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The Swap agreements were terminated in November 2022. The termination fee related to the 2003 and 2007 swap agreements was \$4,471,000 and \$4,867,000, respectively and was financed through the issuance of the 2022 Bonds.

The change in fair value for the interest rate swap is as follows:

| Notional<br>Amount | January 1,<br>2022 -<br>Fair<br>Value | Amortization<br>of Swap<br>Borrowing | Change in<br>Fair Value | Termination         | December 31,<br>2022 -<br>Fair<br>Value |
|--------------------|---------------------------------------|--------------------------------------|-------------------------|---------------------|---|
| \$ 36,030,000      | \$ (11,768,589)                       | \$ 369,513                           | \$ 6,928,076            | \$ 4,471,000        | \$ -                                    |
| 23,920,000         | (12,424,944)                          | 236,978                              | 7,320,966               | 4,867,000           | -                                       |
| Total              | <u>\$ (24,193,533)</u>                | <u>\$ 606,491</u>                    | <u>\$ 14,249,042</u>    | <u>\$ 9,338,000</u> | <u>\$ -</u>                             |

As previously noted, the effect of the termination of the original Swap resulted in a swap borrowing. At December 31, 2022, current period changes in fair value for the Swap are accounted for as an investment and are recorded on the statements of revenues, expenses, and change in net position as change in fair value of interest rate swap. For the year ended December 31, 2022, the change in value of the Swap through the date of termination is recorded as change in value in the statement of revenues, expenses, and changes in fund balance.

### 9. Retirement Plans

Effective September 30, 2016, the Authority sponsors a Savings Incentive Match Plan for Eligible Individual Retirement Account (SIMPLE IRA) plan covering all eligible employees. Contributions are matched by the Authority, dollar for dollar up to 3% of the employee's compensation. Amounts charged to retirement expense totaled \$7,475 and \$6,919 for the years ended December 31, 2023 and 2022, respectively.

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 10. Restricted Assets

The restricted assets represent funds derived from the proceeds of the bonds and other agreements. The funds are restricted for payment of construction costs, debt service payments, settlement costs, and operating and administrative expenses. Restricted assets at December 31 are as follows:

|  | 2023          | 2022          |
|--|---------------|---------------|
| Cash and investments with trustee:           |               |               |
| Debt service reserve fund - 2022 Bonds       | \$ 4,127,869  | \$ 3,954,133  |
| Debt service reserve fund - 2014 Bonds       | -             | 10,777        |
| Bond fund - 2022 Bonds                       | 1,079,293     | 516,460       |
| Bond fund - 2014 Bonds                       | -             | 2,447         |
| Operating expense fund - 2022 Bonds          | 3,207,455     | 1,750,000     |
| Operating expense fund - 2014 Bonds          | -             | 17,713        |
| Rate stabilization fund - 2014 Bonds         | -             | 1,225         |
| Excess funds - 2022 Bonds                    | 5,249,396     | 5,774,182     |
| Total cash and investments with trustee      | 13,664,013    | 12,026,937    |
| Cash and investments held by Authority:      |               |               |
| HRRT depository                              | -             | 1,486         |
| Capital replacement fund                     | 3,911,142     | 3,056,855     |
| Lancaster CRIZ Authority - FF&E reserve      | 2,186,448     | 2,220,178     |
| Marketing Consortium funds                   | 1,380,452     | 1,292,820     |
| Total cash and investments held by Authority | 7,478,042     | 6,571,339     |
|  | \$ 21,142,055 | \$ 18,598,276 |

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

### 11. Net Investment in Capital Assets

Net investment in capital assets at December 31 is comprised of the following:

|  | 2023           | 2022           |
|--|----------------|----------------|
| Net capital assets   | \$ 50,288,155  | \$ 52,142,287  |
| Debt service reserve fund - 2022 Bonds                       | 4,127,869      | 3,954,133      |
| Debt service reserve fund - 2014 Bonds                       | -              | 10,777         |
| Bond fund - 2022 Bonds                                       | 1,079,293      | 516,460        |
| Bond fund - 2014 Bonds                                       | -              | 2,447          |
| HRRT depository  | -              | 1,486          |
| Bonds payable, net   | (66,467,149)   | (67,385,982)   |
| Portion of bonds payable used to pay<br>SWAP termination fee | 9,203,611      | 9,338,000      |
| Contingency fee payable                                      | (250,000)      | (300,000)      |
| Total net investment in capital assets                       | \$ (2,018,221) | \$ (1,720,392) |

### 12. Restricted Net Position

Net position is restricted at December 31 as follows:

|   | 2023          | 2022          |
|---|---------------|---------------|
| Rate stabilization fund - 2014 Bonds    | \$ -          | \$ 1,225      |
| Operating expense fund - 2022 Bonds     | 3,207,455     | 1,750,000     |
| Operating expense fund - 2014 Bonds     | -             | 17,713        |
| Excess funds - 2022 Bonds               | 5,249,396     | 5,774,182     |
| Capital replacement fund                | 3,911,142     | 3,056,855     |
| Marketing Consortium funds              | 1,380,452     | 1,598,566     |
| Lancaster CRIZ Authority - FF&E reserve | 2,186,448     | 2,220,178     |
| Due to Discover Lancaster               | (1,951,955)   | (1,840,498)   |
| Total restricted net position           | \$ 13,982,938 | \$ 12,578,221 |

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### **13. Risk Management**

The Authority maintains insurance contracts to mitigate the risk of loss arising from the following events: torts; theft of, damage to, or destruction of certain assets; wrongful acts by directors and officers; job-related illness or injuries to employees; acts of God; and losses resulting from providing medical benefits to employees and their dependents. Contracts are limited liability and limited to specific properties. Settled claims have not exceeded the commercial coverage insurance in any of the past three fiscal years.

### **14. Commitments, Contingencies, and Other Restricted Assets**

#### Continuing Covenant Agreement

Under the continuing covenant agreement, as amended, the Authority is required to maintain certain minimum balances in the funds held at the Trustee Bank. Failure to meet this liquidity covenant for any quarterly period represents an event of default. The Authority was not in default of the liquidity covenant during any applicable quarter for the year ended December 31, 2023 and 2022.

#### Collaboration Agreement

As part of the 2014 bond refinancing, the Authority executed a Collaboration Agreement effective July 2014 with other stakeholders in the community. With the Authority's 2022 bond issuance, all of the 2014 Collaboration Agreement obligations and deliverables have been satisfied.

The 2014 Bonds were scheduled for mandatory tender on July 31, 2019. The agreement with Discover Lancaster, which has allowed the Authority to replenish bond and operating reserves as well as expand marketing efforts as discussed below, was also to expire in July 2019. As discussed in Note 2, in October 2018, the agreement with Discover Lancaster was amended to extend the term through December 2023 and was subsequently amended with the July 2022 memorandum of understanding as explained below.

In July 2022, the Authority and Discover Lancaster entered into a memorandum of understanding which memorialized the understanding between the Authority and Discover Lancaster regarding the FF&E funding, the capital reserve funding, and the extension of

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Discover Lancaster's commitment to directing 100% of the hotel room revenue tax revenues to the Authority through December 31, 2057.

### Marketing Funding

The Collaboration agreement called for the creation of a Consortium to perform the target marketing for Priority 1 and Priority 2 events, as defined in the Collaboration Agreement. The funding requirements for the Consortium under the agreement were through June 30, 2021.

Additional funding to perform the target marketing for Priority 1 and Priority 2 events is required per the October 2018 memorandum of understanding with Discover Lancaster. During the years ended December 31, 2023 and 2022, the Authority provided funding of \$483,974 and \$475,170, respectively, as required by the memorandum of understanding.

Of the \$3,982,664 deposited in the Consortium accounts through December 31, 2023, \$2,625,281 had been expended. The remaining balance at December 31, 2023, including interest of \$23,069, was \$1,380,452 and is included in the restricted cash and investments of the Authority.

### FF&E Funding

The Collaboration Agreement also required the Authority and the Lancaster CRIZ Authority to provide funding for capital reserves to replace FF&E. The Lancaster CRIZ Authority made payments to the Authority from 2014 through 2020 totaling \$5 million in accordance with the agreement.

Since 2012, the contributions to the capital replacement fund as required by the agreement were made by the Authority and/or the Lancaster CRIZ Authority. For the years ended December 31, 2023 and 2022, the Authority made contributions of \$1,050,000 and \$1,000,000 to the capital replacement fund from the bonds fund. The balance in the restricted capital replacement fund is \$3,911,142 and \$3,056,855 as of December 31, 2023 and 2022, respectively is included in the restricted cash and investments of the Authority.

During the years ended December 31, 2023 and 2022, the Authority expended \$304,365 and \$97,464, respectively, of the Lancaster CRIZ Authority funds (CRIZ account). These expenses are initially paid from the Capital Replacement Fund and are subsequently

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

reimbursed from the CRIZ account. At December 31, 2023 and 2022, the balance of the restricted cash and investments in the CRIZ account is \$2,186,448 and \$2,220,178, respectively. At December 31, 2023 and 2022, \$304,365 and \$97,464 remained to be reimbursed to the Authority's Capital Replacement Fund.

The CRIZ account and the capital replacement fund have separate restrictions regarding what capital items can be purchased with the reserves.

Pursuant to the July 2022 memorandum of understanding between the Authority and Discover Lancaster, the marketing and FF&E funding is as follows:

|           | Marketing Funding<br>Authority<br>2022<br>Bond Funds | FF&E Funding<br>Capital<br>Replacement<br>Fund |
|-----------|--|--|
| 2024      | \$ 457,954   | \$ 1,050,000                                   |
| 2025      | 467,113  | 1,050,000                                      |
| 2026      | 476,455  | 1,050,000                                      |
| 2027      | 485,984  | 1,050,000                                      |
| 2028      | 495,704  | 1,050,000                                      |
| 2029-2033 | 2,631,256  | 5,250,000                                      |
| 2034-2038 | 2,905,119  | 6,500,000                                      |
| 2039-2043 | 3,207,487  | 10,350,000                                     |
| 2044-2048 | 3,541,324  | 13,900,000                                     |
| 2049-2053 | 3,909,909  | 20,000,000                                     |
| 2054-2057 | 3,418,962  | 18,000,000                                     |
| Total     | \$ 21,997,267  | \$ 79,250,000                                  |

### Incentives

The Convention Center offers incentives for certain future events in the form of discounts. The discounts are recognized in the period in which the event is held. At December 31, 2023 and 2022, the Convention Center's commitment to provide incentives was \$105,000, and \$100,000, respectively.

## **SUPPLEMENTARY INFORMATION**



# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## COMBINING BALANCE SHEET

DECEMBER 31, 2023

| <b>Assets</b>                              | Authority            | Operations          | Total                |
|--|----------------------|---------------------|----------------------|
| <b>Current assets:</b>                     |                      |                     |                      |
| Cash and cash equivalents                  | \$ 234,480           | \$ 429,655          | \$ 664,135           |
| Investments                                | 1,305,966            | -                   | 1,305,966            |
| <b>Receivables:</b>                        |                      |                     |                      |
| Taxes                                      | 1,429,192            | -                   | 1,429,192            |
| Other                                      | -                    | 308,151             | 308,151              |
| Accrued interest receivable                | 85,073               | -                   | 85,073               |
| Due from Operations/Due to Authority       | 257,384              | (257,384)           | -                    |
| Due from Aimbridge Hospitality             | -                    | 434,692             | 434,692              |
| Inventory                                  | -                    | 18,324              | 18,324               |
| Prepaid expenses                           | 16,508               | 163,422             | 179,930              |
| Other asset                                | -                    | 299                 | 299                  |
|  | <b>3,328,603</b>     | <b>1,097,159</b>    | <b>4,425,762</b>     |
| <b>Restricted assets:</b>                  |                      |                     |                      |
| Cash and cash equivalents                  | 269,253              | 257,384             | 526,637              |
| Investments                                | 20,615,418           | -                   | 20,615,418           |
|  | <b>20,884,671</b>    | <b>257,384</b>      | <b>21,142,055</b>    |
| <b>Capital assets:</b>                     |                      |                     |                      |
| Land                                       | 1,607,517            | -                   | 1,607,517            |
| Building                                   | 76,657,196           | -                   | 76,657,196           |
| <b>Furniture, fixtures, and equipment:</b> |                      |                     |                      |
| Convention Center                          | 6,055,815            | -                   | 6,055,815            |
| Penn Square Condominium Association        | 515,292              | -                   | 515,292              |
| Office                                     | 8,451                | -                   | 8,451                |
|  | <b>84,844,271</b>    | <b>-</b>            | <b>84,844,271</b>    |
| Less: accumulated depreciation             | 34,556,116           | -                   | 34,556,116           |
|  | <b>50,288,155</b>    | <b>-</b>            | <b>50,288,155</b>    |
| <b>Total Assets</b>                        | <b>\$ 74,501,429</b> | <b>\$ 1,354,543</b> | <b>\$ 75,855,972</b> |

(Continued)

| <b>Liabilities and Net Position</b>                        | <u>Authority</u>     | <u>Operations</u>   | <u>Total</u>         |
|--|----------------------|---------------------|----------------------|
| <b>Liabilities:</b>  |                      |                     |                      |
| Current liabilities:                                       |                      |                     |                      |
| Accounts payable   | \$ 11,396            | \$ 85               | \$ 11,481            |
| Accrued payroll and payroll expense                        | 4,792                | -                   | 4,792                |
| Other accrued expenses                                     | -                    | 268,069             | 268,069              |
| Current portion of bonds payable                           | 840,000              | -                   | 840,000              |
| Unearned revenue   | -                    | 237,820             | 237,820              |
| Contingency fee payable                                    | 50,000               | -                   | 50,000               |
| Total current liabilities                                  | <u>906,188</u>       | <u>505,974</u>      | <u>1,412,162</u>     |
| Current liabilities (payable from restricted assets):      |                      |                     |                      |
| Accrued interest payable                                   | 259,231              | -                   | 259,231              |
| Due to Discover Lancaster                                  | 1,951,955            | -                   | 1,951,955            |
| Total current liabilities (payable from restricted assets) | <u>2,211,186</u>     | <u>-</u>            | <u>2,211,186</u>     |
| Long-term liabilities:                                     |                      |                     |                      |
| Reimbursement for contingency payable                      | 200,000              | -                   | 200,000              |
| Bonds payable, net   | 65,627,149           | -                   | 65,627,149           |
| Total long-term liabilities                                | <u>65,827,149</u>    | <u>-</u>            | <u>65,827,149</u>    |
| Total Liabilities  | <u>68,944,523</u>    | <u>505,974</u>      | <u>69,450,497</u>    |
| <b>Net Position:</b>                                       |                      |                     |                      |
| Net investment in capital assets                           | (2,018,221)          | -                   | (2,018,221)          |
| Restricted   | 13,982,938           | -                   | 13,982,938           |
| Unrestricted   | (6,407,811)          | 848,569             | (5,559,242)          |
| Total Net Position   | <u>5,556,906</u>     | <u>848,569</u>      | <u>6,405,475</u>     |
| <b>Total Liabilities and Net Position</b>                  | <u>\$ 74,501,429</u> | <u>\$ 1,354,543</u> | <u>\$ 75,855,972</u> |
|  |                      |                     | (Concluded)          |

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2023

|  | Authority          | Operations       | Total              |
|--|--------------------|------------------|--------------------|
| <b>Operating Revenues:</b>                     |                    |                  |                    |
| Conference services                            | \$ -               | \$ 2,482,177     | \$ 2,482,177       |
| Concession                                     | -                  | 269,378          | 269,378            |
| Other  | -                  | 9,566            | 9,566              |
| Total operating revenues                       | -                  | 2,761,121        | 2,761,121          |
| <b>Operating Expenses:</b>                     |                    |                  |                    |
| Departmental expenses                          | -                  | 1,393,261        | 1,393,261          |
| Undistributed operating expenses               | -                  | 1,856,485        | 1,856,485          |
| Management fees                                | -                  | 210,024          | 210,024            |
| Fixed charges                                  | -                  | 100,587          | 100,587            |
| Capital/development costs                      | 12,912             | -                | 12,912             |
| Total operating expenses                       | 12,912             | 3,560,357        | 3,573,269          |
| <b>Other Operating Expenses:</b>               |                    |                  |                    |
| Administrative expenses                        | 618,905            | -                | 618,905            |
| Collaboration Agreement - Marketing Consortium | 419,410            | -                | 419,410            |
| Depreciation                                   | 2,267,926          | -                | 2,267,926          |
| Total other operating expenses                 | 3,306,241          | -                | 3,306,241          |
| <b>Operating Loss</b>                          | <b>(3,319,153)</b> | <b>(799,236)</b> | <b>(4,118,389)</b> |
| <b>Non-Operating Revenues (Expenses):</b>      |                    |                  |                    |
| Hotel room rental tax income                   | 7,997,656          | -                | 7,997,656          |
| Investment income                              | 886,249            | -                | 886,249            |
| Other income                                   | 19,595             | -                | 19,595             |
| Interest expense                               | (3,042,620)        | -                | (3,042,620)        |
| Total non-operating revenues (expenses)        | 5,860,880          | -                | 5,860,880          |
| <b>Transfers</b>                               | <b>(731,773)</b>   | <b>731,773</b>   | <b>-</b>           |
| <b>Change in Net Position</b>                  | <b>1,809,954</b>   | <b>(67,463)</b>  | <b>1,742,491</b>   |
| <b>Net Position:</b>                           |                    |                  |                    |
| Beginning of period                            | 3,746,952          | 916,032          | 4,662,984          |
| End of period                                  | \$ 5,556,906       | \$ 848,569       | \$ 6,405,475       |

# LANCASTER COUNTY CONVENTION CENTER AUTHORITY

## SCHEDULE OF EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

|   | 2023         | 2022       |
|---|--------------|------------|
| <b>Operating Expenses:</b>                                  |              |            |
| Departmental expenses:                                      |              |            |
| Conference service  | \$ 1,060,785 | \$ 907,532 |
| Event management  | 201,855      | 173,048    |
| Public space  | 130,621      | 135,681    |
| Total departmental expenses                                 | 1,393,261    | 1,216,261  |
| Undistributed operating expenses:                           |              |            |
| Administrative and general                                  | 361,474      | 378,961    |
| Sales and marketing   | 238,523      | 242,780    |
| Repairs and maintenance                                     | 648,967      | 543,484    |
| Energy  | 403,124      | 397,290    |
| Information technology                                      | 96,203       | 90,419     |
| Miscellaneous   | 108,194      | 79,050     |
| Total undistributed operating expenses                      | 1,856,485    | 1,731,984  |
| Management fees   | 210,024      | 210,024    |
| Collaboration Agreement - Marketing Consortium              | 419,410      | 305,746    |
| Fixed charges:  |              |            |
| Insurance   | 100,587      | 89,586     |
| Total fixed charges   | 100,587      | 89,586     |
| Administrative expenses:                                    |              |            |
| Solicitor fees and expense                                  | 27,418       | 25,788     |
| Historic properties repairs                                 | 148,167      | 14,066     |
| Renovation and minor equipment                              | -            | 428        |
| Employee compensation                                       | 249,349      | 231,047    |
| Executive director expenses, employee<br>mileage and travel | 9,307        | 3,925      |
| Payroll taxes   | 18,319       | 16,584     |
| Employee benefits   | 64,543       | 53,561     |
| Office supplies and expense                                 | 2,235        | 6,636      |
| Internet and computer service                               | 6,515        | 6,116      |
| Accounting fees   | 39,648       | 38,655     |
| Business advisory fees                                      | 26,668       | 59,521     |
| Insurance   | 16,140       | 15,807     |
| Telephone expense   | 2,509        | 2,436      |
| Advertising notices   | 806          | 854        |
| Miscellaneous expense                                       | 7,281        | 8,878      |
| Total administrative expenses                               | 618,905      | 484,302    |

(Continued)

**LANCASTER COUNTY CONVENTION  
CENTER AUTHORITY**

SCHEDULE OF EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Continued)

|                                 | <u>2023</u>                | <u>2022</u>                |
|---------------------------------|----------------------------|----------------------------|
| Depreciation                    | <u>2,267,926</u>           | <u>2,430,083</u>           |
| Capital/development costs:      |                            |                            |
| Accounting                      | 2,712                      | 6,385                      |
| Trustee fees                    | <u>10,200</u>              | <u>13,000</u>              |
| Total capital/development costs | <u>12,912</u>              | <u>19,385</u>              |
| Total operating expenses        | <u><u>\$ 6,879,510</u></u> | <u><u>\$ 6,487,371</u></u> |
|                                 |                            | (Concluded)                |