Miller & Miller, P.S.

Washington State Convention Center Public Facilities District

Financial Statements and Independent Auditor's Report

For The Years Ended December 31, 2019 and 2018

Washington State Convention Center Public Facilities District
Financial Statements and Independent Auditor's Report
December 31, 2019 and 2018
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Miller & Miller, P.S.

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Independent Auditor's Report

Board of Directors
Washington State Convention Center Public Facilities District
705 Pike Street
Seattle WA 98101-2310

Report on the Financial Statements

We have audited the accompanying statements of net position of the Washington State Convention Center Public Facilities District (the District) as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As disclosed in the notes to these financial statements, the COVID-19 pandemic has caused substantial harm to the operating and non-operating tax revenues expected to be received in 2020. Convention events have been cancelled and lodging tax revenues have been severely reduced. While this event does not change the valuations of assets and liabilities reported in the 2019 financial statements, this event will have a substantial impact on the District's 2020 operations.

Miller & Miller, P.S.

Certified Public Accountants

May 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending December 31, 2019 and 2018

OVERVIEW

The Washington State Convention Center Public Facilities District (District) presents the Management's Discussion and Analysis (MD&A) of its financial activities for the ninth full year of operations in 2019. The MD&A focuses on significant financial issues, provides an overview of the District's financial activity and highlights operation changes in the District's financial position.

The accompanying financial statements present the activities of the District. The District was created on July 19, 2010, by King County (Ordinance 16883), pursuant to Substitute Senate Bill 6889, which authorized the creation of the public facilities district by King County and the transfer of assets and liabilities from the nonprofit corporation, established by the Washington State Legislature in 1982, to design, construct, promote and operate the Washington State Convention Center. Prior to its formation, the District was an agency of the state of Washington, and its activities were reported in the Comprehensive Annual Financial Report (CAFR) of Washington State. RCW 36.100.010 authorized King County to create the District that is coextensive with the boundaries of the county. A public facilities district is a municipal corporation, an independent taxing "authority" within the meaning of Article VII, section I of the State Constitution.

The District is a municipal corporation governed by a nine-member board of directors (the "Board") that establishes and approves policy and budgets. Three members of the Board are appointed by the Governor of the State, three members of the Board are nominated by the County Executive subject to confirmation by the County Council, and three members of the Board are nominated by the mayor of the City of Seattle subject to confirmation by the City Council. One of the Governor's appointments and one of the County's appointments must represent the lodging industry in the District, and one of the City's appointments must represent organized labor. Members of the Board serve four-year terms.

ABOUT OUR BUSINESS

The District operates a world-class convention center that generates significant regional economic activity by attracting conventions, tradeshows, and other events to the State of Washington. The District generates event-related revenue primarily from the sale and use of meeting and exhibition space, the sale of services that support the use of that space, such as electricity, water/drain, audio/video and telecommunications (together such services are referred to herein as "Facility Services"), and sale on food and beverage at the facility. About 70 percent of its convention business comes from association meetings, especially medical and high tech. Attracting hundreds of thousands of people to the Greater Seattle area, results were enriching the local economy in 2019 with hotel nights of 317,735, generating attendee spending of $359,912,847, generated sales tax of $27,952,382 plus, retail spending, and other direct spending on goods and services as reported by Econ Northwest.

District also operates three separate public parking garages in downtown Seattle totaling 1,598 spaces. The Garages are all top-tier parking facilities in the heart of Seattle, providing access to multiple freeway ramps and accessible parking for events, commuters, nearby residents, and tourists alike. The Garages generate revenue as a result of parking fees and electric vehicle charging stations.

FINANCIAL HIGHLIGHTS

The District's 2019 revenues surpassed all other fiscal years, while the District continued to focus on customer experience and building the Summit Building.

A. Net position increased by approximately $29.7 million from 2018 to 2019. The increase is due to the receipt of lodging tax revenues exceeding the District's interest costs and operating results.
B. Fiscal year 2019 marked a successful year, with strong non-operating revenues. Operating revenues surpassed originally adopted budget projections. Food services revenues grossed over $23 million. Facility services such as electric, conductivity and audio/visual generated revenue over $3.5 million. Compared to 2018, the 2019 operating and marketing loss increased by $3 million due to decreases in operating revenue and a minor increase in operating expenses. Net non-operating revenue decreased approximately $10 million from 2018 to 2019 due to the increase in interest expense from the 2018 bond issuance in 2018 that had interest expense for only a portion of the year and a full year of interest in 2019, offset by the increase in interest income for the investment of bond proceeds from the 2018 bond issuance.
C. On March 23, 2018, the Governor signed into law Chapter 245, 2018 Laws and the Board of Directors approved Resolution 2018-3 to modify collections of the Lodging Tax. Effective January 1, 2019, Regular and Additional Lodging Tax were extended to lodgings with 60 units or fewer and to Web-based units (Airbnb, VRBO, HomeAway, etc.). First funds transfer from the Office of the State Treasurer was March 29, 2019. Total new tax for 2019 generated $1,917,849.
D. In April of 2019, the District entered into a purchase and sales agreement for the office unit with Hudson Pacific Properties L.P. The office project block is bounded by Boren Avenue, Howell Street, Terry Avenue and Olive Way. The project will be composed of approximately 540,000 square feet in a 16-story building, which includes sub terrain building core. The office tower will be constructed at grade level and on top. It comes with parking rights and easement in the Summit parking garage. Purchase price at closing is $86,000,000. Upon signing of the purchase agreement Hudson Pacific Properties paid $20,500,000 in earnest money, which has been recorded as a reduction of Construction in Progress.
E. The District entered into an Option Agreement with the purchaser, C&MRes LLC for the residential project. C&MRes LLC is required to make non-refundable deposits of $150,000 and comply with certain conditions and covenants. The District will receive total consideration for the sale of $15,750,000. The expected closing date is July 2021. The residential project block is bounded by Olive Way, Terry Avenue, Howell Street and Ninth Avenue. It will have approximately 400 units in a 29-story tower. The plaza at Olive, 9th Avenue, and Howell Street is being specifically designed with weather protection for an adjoining restaurant.
F. The City Council in May 2018 unanimously approved the five street and alley vacations required to go forward with the Summit building construction. With the leadership of the Seattle Mayor, the King County Executive and representatives from the Community Package Coalition (CPC) and the District agreed on terms for the District to provide more than $92.1 million towards a suite of benefits for the community. This partnership moves the WSCC Summit building project – and the creation of new convention space –on scheduled for completion in 2021.
G. In June, S&P Global Ratings raised its long-term and underlying rating to AA- from A+ on Washington State Convention Center Public Facilities District's previously issued series 2010B and 2018 lodging-tax bonds. S&P Global Ratings also affirmed its A- long-term and underlying ratings on the district's series 2018 subordinate lodging-tax bonds.
H. The District made its last principal payment on revenue bonds series 2010A in July 2014. The District made its fifth principal payment on its bond series 2010B in July 2019. As of December 31, 2019, the remaining bond series 2010B is $263,860,000. Both bond series were issued November 2010, for the purpose of defeasance of state debt, to support capital improvements and to fund a common reserve.

I. In June 2018, the District Board of Directors approved Resolution 2018-06 authorizing issuance and sale of two series of Lodging Tax Bonds in aggregate principal amount not to exceed $1,250,000,000. In addition, purchase of one or more reserve fund Surety polices were approved. The District closed August 9, 2018 on the sale of $1,003,595,000 of Lodging Tax Bonds, 2018 and Subordinate Lodging Tax Bonds plus, net original issue premium of $81,830,398, consisting of $598,790,000 Lodging Tax Bonds and $404,805,000 Subordinate Lodging Tax Bonds. In 2019 the District made its first two interest payments for the Lodging Tax Bonds, 2018 and Subordinate Lodging Tax Bonds. Lodging Tax Bonds, 2018 combined interest accrued and reported in fiscal 2019 was $47,170,750.

J. Resolution number 2019-05 authorized the sale of the marshalling yard at 150 South Horton Street, Seattle for $12,360,000 and the purchase of the marshalling yard at 9645 Martin Luther King Jr. Way South, Seattle for $7,600,000. The MLK marshalling yard is better suited to support and enhance the facilities event related needs as well as the net exchange of funds funding Summit Project.

K. The District purchased Cyber, Business interruption and Terrorist insurance in 2019.

L. In December, the District no longer accepted cash. All transactions are electronic bank transactions, checks or credit cards. Petty cash was reduced from $46,125 to $10,000. Deposits are sent electronically, armored truck service is cancelled, labor to double count cash is no longer needed and risk of having cash on hand is reduced. Subcontractor Aramark continues to accept cash.

M. For the last six years the District invoiced all services provided by subcontractors and/or the District. The subcontractors are reimbursed by the District for their portion of the sales. Aramark, the food service provider, has a management contract with the District whereby all invoices are billed through the District. Aramark is reimbursed for expenses they incurred, plus a management fee. Services provided by subcontractors are reflected both as operating revenues and operating expenses in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The operations of the District are grouped into one business type fund for financial reporting purposes. The District's accounting demonstrates legal compliance and financial management over transactions related to certain functions or activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows (on pages 10 through 12) provide information about the activities and finances of the District as a whole.

The Statement of Net Position

The Statement of Net Position reports information about the District as a whole and about its activities in a way that helps communicate the financial condition of the District. This statement includes assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

The District's net position is the difference between assets and liabilities. The District does not report deferred inflows or outflows in the Statement of Net Position, because it has no items that qualify for such classification. Net position is one way to measure the District's financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial condition is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the District's funding structures and the condition of the District's operating assets to assess the overall financial health of the District.

The Statement of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position show the District's income and expenses during the period. All revenues earned, and expenses incurred during the years ended December 31, 2019 and 2018 are reported in the District's financial statements.

The District operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operation in a given year. Marketing revenues and expenses are reported separately from operating revenues and expenses.

The Statement of Cash Flows

The District categorizes cash inflows and outflows into four categories: 1) cash flows from operations, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities and 4) cash flows from investments.

FINANCIAL ANALYSIS

CONDENSED COMPARATIVE STATEMENTS OF NET POSITION

	2019	2018	Percentage Change	2017	Percentage Change
ASSETS					
Current and Other assets	$ 955,179,532	$ 1,147,527,371	-17%	$ 181,270,800	533%
Capital Assets	1,134,550,307	882,724,699	29%	726,085,081	22%
Total Assets	2,089,729,839	2,030,252,070	3%	907,355,881	124%
LIABILITIES					
Current Liabilities	111,232,039	70,813,311	57%	67,669,213	5%
Noncurrent Liabilities	1,478,838,241	1,489,429,491	-1%	412,625,940	261%
Total Liabilities	1,590,070,280	1,560,242,802	2%	480,295,153	225%
NET POSITION					
Net invested in capital position	324,154,168	282,841,727	15%	303,604,538	-7%
Restricted	16,411,367	14,512,557	13%	14,994,204	-3%
Unrestricted	159,094,023	172,654,984	-8%	108,461,987	59%
Total Net Position	$ 499,659,558	$ 470,009,268	6%	$ 427,060,730	10%

Current and other assets decreased approximately $192 million from 2018 to 2019 from Summit (Expansion) costs and decreases in investment interest rates. From 2017 to 2018 Current and other assets increased approximately $966 million as a result 2018 Priority and Subordinate Bond sale, along with King County Metro site purchase and construction work at the Convention Place Station (CPS) site and Expansion costs.

Capital Assets increased approximately $252 million from 2018 to 2019 due to the Summit building site work including in Construction in progress, net of the Hudson Pacific Properties $20.5 million

earnest money: net of current year depreciation and the result of other capital asset additions and disposals.
Capital Assets increased by $157 million from 2017 to 2018 due to the Summit building site work included in Construction in progress: net of current year depreciation and the result of other capital asset additions and disposals.

Current liabilities increased due to large increases in accrued amounts due to the expansion project and due to the collection of Lodging Tax on 60 units or fewer and Web-based units (Airbnb, VRBO, HomeAway, etc.) and owed to the State of Washington, King County and City of Seattle. Current liabilities increased from 2017 to 2018 for a variety of reasons, including decreased payables from CPS and other Summit project costs, increases in the amount due to the state of Washington for certain lodging taxes and for operating expenses.

Net investment in capital assets increased from 2018 to 2019 from the growth of the Summit Project and payments of public benefits. The change in net position- investment in capital assets also reflects the net effects of asset additions and disposals, bond principal payments, and depreciation on capital assets. This balance increased from 2017 to 2018 from the increase in Summit Project spending.

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

	2019	2018	Percentage Change	2017	Percentage Change
OPERATING REVENUES					
Building rent	$ 4,263,280	$ 3,992,177	7%	$ 4,363,947	-9%
Food service	23,085,555	26,320,728	-12%	20,949,997	26%
Parking	3,897,330	3,783,815	3%	3,723,747	2%
Facility services	3,535,662	4,000,813	-12%	3,547,743	13%
Retail leases	823,020	716,152	15%	510,214	40%
Other	1,493,478	1,579,687	-5%	1,866,048	-15%
Total Operating Revenues	37,098,324	40,393,372	-8%	34,961,697	16%
MARKETING REVENUES					
Lodging tax for marketing	15,403,241	14,976,875	3%	13,944,123	7%
NONOPERATING REVENUES					
Lodging tax - regular	76,997,207	74,866,406	3%	69,705,450	7%
Lodging tax - extended	1,917,849	-	0%		
Build America Bonds subsidy	5,887,519	5,988,725	-2%	6,077,141	-1%
Interest and investment income	22,872,700	13,672,902	67%	1,337,620	922%
Total Revenues	160,176,840	149,898,281	7%	126,026,032	19%
OPERATING EXPENSES					
Salaries and wages	9,168,321	9,023,526	2%	8,505,409	6%
Employee benefits	5,331,519	5,283,711	1%	5,216,785	1%
Professional and other services	2,688,111	2,752,081	-2%	2,620,474	5%
Food service	13,761,126	14,063,741	-2%	12,253,134	15%
Supplies	585,368	630,204	-7%	584,990	8%
Utilities	3,272,140	3,150,868	4%	3,102,999	2%
Repair and maintenance	1,840,824	1,692,183	9%	1,703,191	-1%
Depreciation and amortization	13,995,164	13,791,941	1%	13,448,391	3%
Other administrative and contingency	376,795	376,940	0%	327,266	15%
Total Operating Expenses	51,019,368	50,765,195	1%	47,762,639	6%
MARKETING EXPENSES					
Visit Seattle, Outside Marketing	13,119,423	12,757,257	3%	11,940,816	7%
In-house Marketing	1,342,631	1,380,462	-3%	1,188,809	16%
Total Marketing Expenses	14,462,054	14,137,719	2%	13,129,625	8%
NONOPERATING EXPENSES					
Interest expense	64,469,549	36,617,777	76%	11,569,690	216%
Other expense	575,579	5,429,052	-89%	1,344,412	304%
Total Expenses	130,526,550	106,949,743	22%	73,806,366	45%
Change in Net Position	29,650,291	42,948,538	-31%	52,219,665	-18%
Net Position - Beginning	470,009,267	427,060,730	10%	374,841,065	14%
Net Position - Ending	499,659,558	470,009,267	6%	427,060,730	10%

Operating revenues have decreased from 2018 to 2019 due mainly to the mix of convention events in that food service and facility services were not required for the type of events held during 2019 as compared to 2018. Fiscal 2018 operating revenues were the strongest in its thirty-year history. Building rent revenues, with Parking, Retail leases and Other revenues all exceed 2017 revenues. Related operating expenses decreased one percent. Marketing revenues increased three percent and marketing expenses increased one percent.

Other non-operating revenue increased from 2018 to 2019 due to the increase in Lodging Tax revenue, Extended Lodging Tax and investment income. Other non-operating revenue increased from 2017 to 2018 due to increase in Lodging Tax revenue and investment income. Other non-operating expenses increased from 2018 to 2019 due to an increase in interest costs due to a full year of the 2018 bond issuance in 2019 and a partial year in 2018. Other non-operating expenses increased from 2017 to 2018 due to an increase of losses on disposal of assets in connection with capital improvement projects and an increase in interest expense from the 2018 Priority and Subordinate bond issues. Cost of issuance, underwriter discount, the purchase of Surety bonds of $4,759,235 were expensed in 2018 and not capitalized.

CAPITAL ASSETS

The following schedule is a summary of the District's investment in capital assets as of December 31, 2019, 2018 and 2017:

	12/31/2019	12/31/2018	12/31/2017
Capital assets, not being depreciated			
Land	321,485,456	313,878,484	313,857,947
Construction in progress	550,286,174	293,814,711	125,373,206
Total capital assets, not being depreciated	871,771,630	607,693,195	439,231,153
Capital assets, being depreciated			
Buildings and improvements	459,397,129	458,463,340	458,142,009
Other improvements and art collection	12,331,594	12,262,373	11,654,366
Machinery/equipment/furniture/fixtures	14,436,365	14,431,124	13,649,344
Total capital assets, being depreciated	486,165,088	485,156,837	483,445,719
Less accumulated depreciation for			
Buildings	(208,900,445)	(197,019,775)	(185,386,868)
Other improvements and art collection	(4,300,152)	(3,517,820)	(2,736,166)
Machinery/equipment/furniture/fixtures	(10,185,815)	(9,587,739)	(8,468,758)
Total accumulated depreciation	(223,386,411)	(210,125,333)	(196,591,791)
Total capital assets, being depreciated, net	262,778,677	275,031,504	286,853,928
Total capital assets	$ 1,134,550,307	$ 882,724,699	$ 726,085,081

Capital Assets increased from 2018 to 2019 due to increase in Summit Project spending, plus the net of current year depreciation and capital asset additions and disposals. Additional information regarding capital assets is provided in Note 5 to the financial statements.

DEBT ADMINISTRATION

The District's bond rating is Aa3 by Moody's and up graded to AA- by Standard and Poor's in June 2019 for 2010 Bonds and 2018 First Priority Bonds. Ratings for 2018 Subordinate Priority Bonds: Moody's A1 and Standard and Poor's A-.

As of December 31, 2019, the District had $1,478,664,057 in long term outstanding debt and $8,685,000 in the current portion of long-term debt. In 2018, the District's outstanding debt was $1,497,184,491. The District debt was issued August 9, 2018 for the construction of the Summit building in the amount of $648,151,581 2018 First Priority Bonds and $434,431,503 2018 Subordinate Priority Bonds generating aggregate issuance of $1,082,583,084. The debt issued by the District in November 2010, was used to defease the state's debt, to provide for capital funding for improvement of the Convention Center and to fund a common reserve. The new 2018 Bond issue replaced all common reserve funds with surety bonds. Additional information regarding long-term debt is provided in Note 8 to the financial statements.

The District carries property insurance through Liberty Mutual Insurance Company in addition to coverage for terrorism and business interruption. The District has separate cyber-attack and deadly weapons incidents policies. It participates in the state's Worker's Compensation Program.

ECONOMIC FACTORS

The District moved forward on capital improvement projects in order to ensure that its facility continues to attract profitable events and compete with the many newer and larger buildings in the western United States. The District's renovated Studio 10 and Studio 14 the old salon and Moby space in 2019. Improvements involve a flex space that can be used for pop-up retail, coat check, etc., and updating catering space. The District continued to market and signing contracts for the new under construction Summit building.

District is marketing to sell its existing marshalling yard located on Horton Street in the SODO district and purchased a more efficient marshalling yard located on Martin Luther King Way near the I-5 exit 158. Besides accommodating more trucks, the property comes with all the essential security features and additional funds from the sale will be added to the Summit project's source of funds.

The District Board of Director's authorized an operating budget of $37,785,109 for fiscal 2020. As disclosed in Note 13 to the financial statements, the Covid-19 pandemic has created substantial adjustments to the operating plan for 2020.

Financial Contact

The District's financial statements are designed to provide users with a general overview of the District's finances and to demonstrate accountability to the taxpayers, investors, creditors and customers of the District. If you have questions about the report, please contact the District's administrative offices at 206-694-5000. The District's financial statements can be accessed at its website: www.wscc.com.

Washington State Convention Center Public Facility District
Statement of Net Position
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 68,872,014	$ 62,183,311
Restricted cash and cash equivalents	134,912,045	125,755,400
Investments	80,385,690	49,772,500
Restricted investments	555,566,210	582,448,881
Restricted investments interest receivable	1,669,648	4,579,359
Receivables (net)	16,625,290	2,761,254
Due from other governments	11,793,886	13,682,774
Prepayments and other current assets	822,964	652,544
Total Current Assets	870,647,746	841,836,023
Noncurrent Assets		
Investments	40,501,600	69,899,300
Restricted investments	43,596,144	235,384,982
Other noncurrent assets	434,041	407,066
Total Noncurrent Assets	84,531,785	305,691,348
Capital Assets		
Land	321,485,456	313,878,484
Buildings and improvements	459,397,129	458,463,340
Machinery/equipment/furniture/fixtures	14,436,365	14,431,124
Other improvements and art collection	12,331,594	12,262,373
Accumulated depreciation	(223,386,411)	(210,125,333)
Construction in progress	550,286,174	293,814,711
Total Capital Assets	1,134,550,307	882,724,699
Total Assets	2,089,729,838	2,030,252,070
LIABILITIES		
Current Liabilities		
Accounts payable	39,099,726	13,283,624
Retainage-payable from restricted assets	7,390,329	3,478,128
Salaries, benefits and taxes payable	1,163,051	1,176,247
Unearned revenue and deposits payable	2,558,411	2,085,806
Due to other governments	17,847,947	12,465,676
Interest payable	33,145,600	28,297,060
Current portion of long term debt	8,685,000	7,755,000
Other	1,341,976	2,271,770
Total Current Liabilities	111,232,040	70,813,311
Noncurrent Liabilities		
Bonds and Notes payable	1,478,664,057	1,489,429,491
Other	174,184	-
Total Noncurrent Liabilities	1,478,838,241	1,489,429,491
Total Liabilities	1,590,070,281	1,560,242,802
NET POSITION		
Net investment in capital assets	324,154,168	282,841,727
Restricted:		
Restricted for debt service	6,117,690	4,040,036
Restricted for Expansion	0	0
Restricted for operating reserve	10,293,677	10,472,521
Unrestricted	159,094,022	172,654,984
Total Net Position	$ 499,659,558	$ 470,009,268

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

Washington State Convention Center Public Facilities District
Statement of Revenue, Expenses and Changes in Net Position
For the Years Ending December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Building rent	$ 4,263,280	$ 3,992,177
Food service	23,085,555	26,320,728
Parking	3,897,330	3,783,815
Facility services	3,535,662	4,000,813
Retail leases	823,020	716,152
Other	1,493,478	1,579,687
Total Operating Revenues	37,098,324	40,393,371
OPERATING EXPENSES		
Salaries and wages	9,168,321	9,023,526
Employee benefits	5,331,519	5,283,711
Professional and other services	2,688,111	2,752,081
Food service	13,761,126	14,063,741
Supplies	585,368	630,204
Utilities	3,272,140	3,150,868
Repair and maintenance	1,840,824	1,692,183
Depreciation and amortization	13,995,164	13,791,941
Other administrative and contingency	376,795	376,940
Total Operating Expenses	51,019,368	50,765,195
OPERATING INCOME (LOSS)	(13,921,044)	(10,371,823)
MARKETING REVENUES		
Marketing Tax	15,403,241	14,976,875
MARKETING EXPENSES		
Visit Seattle, Outside Marketing	13,119,423	12,757,257
In-house Marketing	1,342,631	1,380,462
Total Marketing Expenses	14,462,054	14,137,719
INCOME FROM MARKETING	941,188	839,156
TOTAL NET OPERATING AND MARKETING LOSS	(12,979,856)	(9,532,667)
NONOPERATING REVENUES (EXPENSES)		
Lodging tax - regular	76,997,207	74,866,406
Lodging Tax - Extended	1,917,849	-
Interest and investment income	22,872,700	13,672,902
Interest expense	(64,469,549)	(36,617,777)
Build America Bonds subsidy	5,887,519	5,988,725
Loss on disposal of assets	(358,778)	(562,668)
Bond issuance costs	-	(4,759,235)
Other revenue (expenses)	(216,801)	(107,149)
Total Nonoperating Revenue	42,630,147	52,481,204
CHANGE IN NET POSITION	29,650,291	42,948,537
Net Position - Beginning	470,009,267	427,060,730
Net Position - Ending	$ 499,659,558	$470,009,267

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

Washington State Convention Center Public Facilities District
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 38,599,117	$ 37,010,552
Receipts from governments	15,019,788	14,805,399
Payments to suppliers	(38,541,105)	(35,748,770)
Payments to employees	(14,513,036)	(14,278,444)
Payments to or receipt from others, net	26,842	260,375
Net Cash Provided By Operating Activities	591,607	2,049,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating Portion of Lodging Taxes received	78,238,957	74,180,925
Lodging Tax received to be paid to state	34,328,662	19,877,370
Portion of Lodging Tax paid to state	(28,927,718)	(20,516,289)
Nonoperating revenues and expenses	(216,801)	(107,149)
Purchase of other noncurrent assets	(26,974)	(10,850)
Net Cash Provided By Noncapital Financing Activities	83,396,126	73,424,006
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Proceeds	-	1,085,425,398
Purchases of Capital Assets	(243,145,700)	(175,042,365)
Interest and principal paid on capital debt	(68,306,010)	(25,071,847)
Payment to acquire land	(7,599,657)	(21,999,990)
Bond Issue Costs	-	(4,759,235)
BABs subsidy received	5,887,519	5,988,725
Net Cash Used By Capital and Related Financing Activities	(313,163,847)	864,540,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	23,484,703	4,788,446
Investment fees	(4,498)	(6,341)
Investment purchases	(676,851,132)	(1,115,341,736)
Investment maturities	898,392,389	261,448,788
Net Cash Provided (Used) By Investing Activities	245,021,462	(849,110,843)
Net Increase (Decrease) In Cash and Cash Equivalents	15,845,348	90,902,963
Cash and Cash Equivalents Balances - Beginning	187,938,711	97,035,748
Cash and Cash Equivalents Balances - Ending	$ 203,784,059	$ 187,938,711
Cash and Cash Equivalents as Reflected in the Statement of Net Position:		
Cash and cash equivalents	$ 68,872,014	$ 62,183,311
Restricted cash and cash equivalents	$ 134,912,045	$ 125,755,400
Total Ending Cash and Cash Equivalents in the Statement of Net Position	$ 203,784,059	$ 187,938,711
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (12,979,856)	$ (9,532,666)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	13,995,164	13,791,941
Changes in operating assets and liabilities:		
Accounts Receivable	1,028,189	(1,730,489)
Due from Other Governments-Operating Portion	(383,453)	(171,476)
Operating Accounts Payable	(408,958)	(97,676)
Prepayments	(170,420)	154,590
Salaries, benefits and taxes payable	(13,196)	28,793
Unearned revenue and deposits payable	472,604	(1,652,331)
Other operating liabilities	(948,468)	1,258,428
Net Cash Provided (Used) By Operating Activities	$ 591,607	$ 2,049,113
SCHEDULE OF NON-CASH INVESTING, CAPITAL, NON CAPITAL AND RELATED FINANCING ACTIVITY		
Capital Assets acquired by increases in accounts payable	$ 26,225,059	$ 4,004,694
Reimbursement of capital is included in receivables	175,138	152,509
Change in fair value of investments	2,297,709	4,331,454

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the Washington State Convention Center (WSCC) Public Facilities District (District). The District was created on July 19, 2010, by King County Ordinance 16883, pursuant to Substitute Senate Bill 6889, which authorized the creation of the public facilities district by King County and the transfer of assets and liabilities from the nonprofit corporation, established by the Washington State Legislature in 1982, to design, construct, promote and operate the Washington State Convention Center. Prior to July 19, 2010, the District was an enterprise fund of the state of Washington, and its activities were reported in the Comprehensive Annual Financial Report (CAFR) of Washington State.

The District is an independent governmental entity, and all of its activities are accounted for in the records of the District. All liabilities incurred by the District are required to be satisfied exclusively from the assets, credit and property of the District. The District's reporting cycle is the 12-month calendar period from January 1 through December 31.

In November 2010, the District issued bonds in the amount of $314,652,701. The proceeds were distributed on November 30, in accordance with the Official Statement for the bonds and the Transfer Agreement between the state and the District as follows: to the District for capital improvements ($21.4 million), to the state to defease Convention Center debt ($270.9 million), to an external fiscal agent to establish the common reserve ($19.5 million) and to fund bond issue costs ($2.7 million).

As of December 31, 2010, the District recorded the assets of the enterprise fund of the state of Washington, including all capital assets and a receivable from the state, in the amount of $53.2 million, which was transferred to the District on January 4, 2011. The District also recorded all of the liabilities of the state's corporation, with the exception of the long-term debt, which was defeased with the bond issue discussed in the above paragraph.

The District sold Bonds at the purchase price of $1,082,583,084 during August 2018. The purchase price for the 2018 First Priority Bonds was $648,151,581 (representing the aggregate principal amount of the 2018 First Priority Bonds, plus the original issue premium of $51,057,434 and less the Underwriters' Discount of $1,695,853). The purchase price for the 2018 Subordinate Priority Bonds was $434,431,503 (representing the aggregate principal amount of the 2018 Subordinate Priority Bonds, plus the original issue premium of $30,772,965 and less the Underwriters' Discount of $1,146,461). Proceeds are to finance a portion of the costs to construct the Summit facility. The Summit will add nearly 1.5 million square feet of gross floor area to the Convention Center, more than doubling the existing Convention Center exhibit, meeting, and banquet space. The Summit will include a 155,000 square foot exhibition hall, 100,000 square foot flex hall,125,000 square feet of meeting rooms and a 60,000 square feet ballroom.

B. Component Units

The Washington State Convention Center Art Foundation, a 501(c) (3) tax exempt organization, was formed to support the public art program of the WSCC. The Art Foundation's Board of Directors is appointed by the Chair of the WSCC Board of Directors Art Committee and approved by the WSCC Board of Directors. While the WSCC Board of Directors has the ability to control which art is displayed at any point in time, it does not direct the operation of the Art Foundation. The WSCC is entitled to the assets of the Art Foundation only upon its dissolution. The Art Foundation has no employees. As such, WSCC staff provides insignificant administrative services to the Art Foundation. The total assets of $601,127, total revenues of $2,163 and total expenses of **(**$443) as of December 31, 2019 for the Art Foundation are considered insignificant to the WSCC. In addition, there are no transactions between the two entities for the years ended December 31, 2019 and 2018. As such, the Art Foundation is not included in the WSCC's financial statements as either a blended or a discretely presented component unit.

C. Basis of Accounting and Presentation

The District uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of when the related cash is received or disbursed.

Amounts received but not earned at year-end are reported as unearned revenues. Earned but unbilled revenues are accrued. Amounts disbursed but not owed at year-end are reported as pre-paid expenses. Amounts owed, but for which the District has not yet been invoiced, are accrued.

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

D. Summary of Significant Accounting Policies

1. Policy for defining operating and non-operating revenues/expenses

Operating revenues/expenses are distinguished from non-operating revenues/expenses based on their relationship to the primary purpose of the District, which is operating a convention center. The operating revenues of the District result from event rentals, related event fees, food service, parking and retail leases. The 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, advertising and other administrative expenses.

The District relies on four contractors to provide specific event services for clients. Rates charged for all contractor services are approved by the District. Aramark has a management contract with the District and is the exclusive food and beverage provider within the center. The District recognizes in its financial statements' gross food service revenues and food service expense. Revenues from the other three contractors are recorded as Facility Services under Operating Revenues. Edlen is the exclusive electrical and air/water/drain provider for the District. The District receives in the range of 28 to 35 percent of the revenue generated by Edlen and retains the remaining revenues and all expenses. Smart City provides exclusive telecommunication, data and internet services. Generally, the District receives 30 percent of the gross revenues and Smart City retains the remaining revenue and covers all expenses. LMG is the preferred audio-visual provider. Generally, LMG pay's the District 23 to 40 percent commission depending on the service or rented equipment provided.

For fiscal 2019 and all comparable year's the District reports marketing revenues and expenses separately from the operating category. Marketing revenues and expenses are located on the Statement of Revenues, Expenses and Changes in Net Position between operating and non-operating. Marketing revenue is a dedicated portion of the lodging tax that supports national and international marketing by Visit Seattle on the District's behalf. In-house marketing supports advertising and marketing for events in the building and local/regional marketing.

The District receives non-operating revenues from lodging taxes and interest and investment income. Its non-operating expenses are mainly debt service interest payments and loss on disposal of assets. Prior to 2018, the District reports its interest expense net of capitalized interest on the Summit building project. The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 89 *Accounting for Interest Cost Incurred before the*

End of a Construction Period for its 2018 financial statements. This GASB statement requires that interest costs during construction be expensed. As such, the District no longer capitalizes interest costs as an addition to capital assets. The District separately reports its subsidy from the U.S. Federal government on its Build America Bonds in non-operating revenues.

2. Policy for applying Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* provides a codification of private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to be followed in the financial statements of proprietary fund types. The District has adopted provisions of GASB Statement No. 62.

As required by the Governmental Accounting Standards Board (GASB) the District adopted GASB Statement number 63 *Deferred Outflows and Inflows of Resources and Net Position* and implemented GASB Statement number 65 *Items Previously Reported as Assets and Liabilities* in 2012. The District has no items required to be reported as deferred outflows or deferred inflows.

3. Policy for defining cash equivalents

It is the District's policy to invest temporary cash surpluses. Cash includes the following:

a. Cash on hand.
b. Cash on demand deposit with financial institutions that can be withdrawn without prior notice or penalty.
c. Cash in management pools (e.g., the Local Government Investment Pool) that are similar to demand deposits.

Cash equivalents include highly liquid investments with the following characteristics:

a. Readily convertible to known amounts of cash.
b. Mature in such a short period of time that their values are effectively immune from changes in interest rates.

The District considers all investments, originally purchased with a three-month term or less, to be cash equivalents.

4. Policy for application of restricted versus unrestricted resources

The District applies all restricted resources to eligible expenses prior to applying unrestricted resources. For example, the District's debt covenants restrict certain resources for debt service and capital improvements, and the District applies these restricted resources to debt service and capital improvements first, before using unrestricted assets. Were there to be insufficient restricted resources for debt service and capital improvements, the District would compensate for any insufficiency with unrestricted resources.

E. Budgetary Information

1. Scope of Budget

The District adopts an annual operating budget by board action no later than December 31. It adopts budgets for the debt service requirements of individual debt issues. It adopts capital projects' budgets for specific projects for a three-year period. Each year's annual operating budget is developed based on economic projections. The Board adopts a contingency amount, within which management can control spending variances.

Capital Bond budget funding carries forward until projects are completed and/or funding is exhausted.

The Board of Directors approved Resolution number 2012-6, a Capital Improvement Project Funding Program. Annually $4 million adjusted by the prior year's consumer price index will be dedicated to annually fund approved capital improvement projects. Unspent funds will carry-forward, but capital improvement projects must be approved annually.

The Board of Directors approved Resolution number 2010-16 that requires the establishment of an annual operating reserve based on 100 days of operating budgeted expenses. The 2019 Operating Reserve was funded in January 2019 to $10,022,170. In December 2019, the budget was amended by Resolution number 2019-19 and the Operating Reserve was increased to $10,293,677.

In January 2019, the Board of Directors approved by motion to update the Summit Project Financial Plan to $1,948,385,000.

2. Amending the Budget

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

F. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents (see Note 3)

It is the District's policy to invest all temporary cash surpluses. At December 31, 2019 and 2018, the District had $68,872,014 and $62,183,311, respectively in short-term residual investments of surplus cash reported as unrestricted cash and cash equivalents.

2. Investments (See Note 4)

It is the policy of the District to invest all public funds in accordance with governing federal, state and local statutes. The District updated its investment policy in 2016 to incorporate the new State of Washington regulations. The certification of excellence for investment policies was awarded by the Washington Public Treasurers' Association to the District. The District's objectives are to ensure safety of the principal, to maintain an investment portfolio that is sufficiently liquid to meet all operating requirements, debt payments and capital purchases and to achieve a market rate of return taking into account risk constraints.

The District maintained current and non-current restricted investments with external fiscal agents, which are presented on the Statement of Net Position as current restricted investments in the amount of $555,566,210 for 2019 and $582,448,881 for 2018, and noncurrent restricted investments of $43,596,144 for 2019 and $235,384,982 for 2018. Current restricted investments arise from the 2018 financing of First Priority and Subordinate Bonds reserved for construction expenditures that are due within one year. The 2010B bond Common Reserve was replaced with a Surety Bond in August 2018. Current and non-current unrestricted investments are $120,887,290 as of December 31, 2019 and $119,671,800 as of December 31, 2018. All investments are reported at fair value as reported by the external fiscal agent.

3. Receivables

Receivables consist of the following components:

Customer accounts receivable consist of amounts owed by private organizations for goods and services and leased retail space and are presented net of an estimate of uncollectible accounts.

Restricted Interest receivable consists of amounts owed by financial institutions on the District's investments.

4. Due to/from Other Governments

As of December 31, 2019, and 2018, the due from other governments is mainly composed of Lodging Tax collected by the hotels and earned in November and December 2019 and 2018 but paid to District by the state of Washington in January and February 2020 and 2019 respectively. The due from other governments include $2,971,069 for 2018 from the US Government's Build America Bonds subsidy that was not received until January 2019. In 2019 the US Government's Build America Bonds subsidy was received in December 2019 and is not included in the Due from other governments in 2019.

5. Inventories

The District does not carry any significant inventories. It expenses operating supplies and small tools when purchased.

6. Restricted Assets and Liabilities

The District restricts certain resources based on bond covenants, board requirements and contractual arrangements. The following restrictions pertain:

Operating Reserve Account
Bond Interest and Principal Accounts
Retainage Accounts

7. Capital Assets (See Note 5)

Capital assets include land, 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 one year. Groups of capital assets may be capitalized even if their individual costs are less than $5,000 and subsequent additions to the group are likewise capitalized. Capital assets are recorded at cost. Costs of additions or improvements are capitalized if they increase the useful life of the asset. Routine repair and maintenance costs are expensed when incurred.

Capital assets in service are depreciated over their useful lives using the straight-line method. The following useful lives are used in recording depreciation expense:

Assets	Useful Lives (Years)
Buildings	50
Building Improvements	4 - 15
Equipment – Heating/Air Conditioning	13
Vehicular Equipment	13
Equipment – Furniture	2 - 10
Equipment – Communications	10
Equipment – Data Processing	4 - 10
Vehicles and All Other Equipment	5
Art Collections	Not depreciated

GASB Statement number 89, Accounting for Interest Cost Incurred before the end of a Construction Period suspends paragraphs 5-22 of GASB 62, which the District followed from 2014 through 2017.

In 2019 and 2018 following GASB Statement number 89, the District did not capitalize interest.

8. Compensated Absences

The District compensates employees for vacation and sick leave. All such leave is accrued when earned and reduced when used. Vacation leave for administrative staff may be accumulated to a maximum of 240 hours on the employee's anniversary date. Vacation leave for union staff may be accumulated to:

Years of Hours Worked	Maximum Accumulated Hours
1 - 4	96
5 – 8	120
9 – 10	128
11 – 13	136
Max	160

Sick leave for all staff may be accumulated to a maximum of 720 hours, with excess up to 96 hours payable at 25 percent annually. Part-time staff may accumulate vacation and sick leave, using a pro-rata formula based on 2080 hours annually. Upon retirement, termination or death, unused vacation leave is payable in full and unused sick leave is forfeited.

9. Unearned Revenue and Deposits Payable

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

10. Restricted and Unrestricted Net Position

The District's net position is presented as net investment in capital assets, restricted and unrestricted. Restricted net position excludes capital assets, net of related debt, but includes other assets on which there are externally imposed legal restrictions. Unrestricted net assets include all other net assets. Additional details regarding the classification of net position is provided in Note 12.

G. Prior-Year Comparative Data

The current period, January 1, 2019 through December 31, 2019, is the tenth year of operating revenues and expenses reported by the District. Comparative data for the period of January 1, 2018 through December 31, 2018 are reported in the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The District's cash and cash equivalents are held in multiple financial institutions and are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a pool administered by the Washington State Public Deposit Protection Commission (PDPC).

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk. In accordance with GASB 40 guidelines, the balances are also not subject to custodial 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. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the District's pool investments is determined by the pool's share price. The District has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The LGIP is not rated and is disclosed in the financial statements as a cash equivalent.

As of December 31, 2019, and 2018, cash and cash equivalents include:

Financial Institution		2019	2018
US Bank		53,958,021	59,337,237
Local Government Investment Pool		149,816,038	128,555,349
Petty Cash/Change Funds		10,000	46,125
TOTAL		203,784,059	187,938,711

NOTE 4 – INVESTMENTS

In accordance with the District's investment policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency and the State Investment Pool (which is a 2a7-like pool).

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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. These valuation inputs are considered most reliable.

- Level 2 inputs are quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other observables. These valuation inputs are considered to be reliable.

- Level 3 inputs are significant unobservable inputs and are considered to be the least reliable.

The District has the following recurring fair value measurements as of December 31, 2019:

U.S. Government Treasury of $574,039,090 and Federal Government Agencies of $107,993,159, are valued using quoted prices in an active market for identical assets (Level 1 inputs). Corporate Commercial Paper of $11,126,231 are valued using quoted prices in an active market for identical assets (Level 1 inputs) The District holds no investments that require valuation using levels 2 or 3 inputs.

As of December 31, 2019, the District had the following investments measured at fair value (in thousands). The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the District's investment portfolio as of December 31, 2019:

		Maturities			Ratings	
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	% of Total Portfolio	S&P	Moody's
Federal Home Loan Bank	$ 107,993	$ 87,696	$ 20,297	15.00%	AA+	AAA
Federal National Mortgage Assoc.	26,891	26,891		3.73%	AA+	AAA
Treasury Notes	$ 563,821	500,020	63,801	78.30%	AA+	AAA
Treasury Bills	10,218	10,218			AA+	AAA
Commerical Paper	11,126	11,126		1.55%		
Subtotal	720,049	635,951	84,098	100.00%		
Percentage of Total Portfolio		88.32%	11.68%	100.00%		

As of December 31, 2018, the District had the following investments measured at fair value (in thousands). The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the District's investment portfolio as of December 31, 2018:

		Maturities			Ratings	
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	% of Total Portfolio	S&P	Moody's
Federal Home Loan Bank	$ 25,075		$ 25,075	2.67%	AA+	AAA
Treasury Notes	872,941	592,731	280,210	93.11%	AA+	AAA
Resolution Funding Corporation	19,586	19,586		2.09%	AA+	AAA
Commerical Paper	19,904	19,904		2.12%		
Subtotal	937,506	632,221	305,285	100.00%		
Percentage of Total Portfolio		67.44%	32.56%	100.00%		

Interest Rate Risk is the risk that changes in interest rates, will adversely affect the fair value of an investment. To mitigate this risk, the District limits the maturity of any single security to five years, in accordance with its investment policy. To achieve its financial objective of ensuring liquidity most investments have shorter maturities. As detailed in the chart above, 88 percent of the investments mature in 2020 and remaining 12 percent of the investments mature in one to five years.

Credit Risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. To mitigate this risk, the District ensures that it adheres to the credit standards as defined in its investment policy. The Moody and S&P rating (if available) are provided in the charts above.

Concentration of Credit Risk is the risk of loss attributed to the percentage of a government's investment in a single issuer. To mitigate this risk, the District ensures that it maintains portfolio diversification as defined in its investment policy.

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside counterparty. To mitigate this risk, the District ensures that investments are held in safekeeping at a qualified financial institution in the District's name as defined in its investment policy.

NOTE 5 – CAPITAL ASSETS

The capital assets and related changes during the years ended December 31, 2019 and 2018 are reflected in the following charts.

ASSET CLASS	1/1/2019	Increases	Decreases	12/31/2019
Land	$ 313,837,908	$ 7,599,657	$ -	$ 321,437,565
Land Development	40,576	7,314	-	47,890
CIP	293,814,711	258,603,121	(2,131,659)	550,286,174
Capital Assets, not depreciating	607,693,195	266,210,093	(2,131,659)	871,771,629
Building & Improvements	458,463,340	1,306,681	(372,891)	459,397,129
Other Improvements, Art	12,262,373	106,993	(37,771)	12,331,595
Machinery, Equipment, FF&E	14,431,124	717,985	(712,744)	14,436,365
Capital Assets, depreciating	485,156,836	2,131,659	(1,123,406)	486,165,089
Less A/D:				
Buildings	(197,019,774)	(12,021,762)	140,912	(208,900,625)
Other Improvements, Art	(3,517,820)	(808,277)	26,125	(4,299,972)
Machinery, Equipment, FF&E	(9,587,739)	(1,165,125)	567,049	(10,185,815)
Total A/d	(210,125,333)	(13,995,164)	734,086	(223,386,411)
Net Capital Assets, depreciating	275,031,503	(11,863,505)	(389,320)	262,778,678
TOTAL CAPITAL ASSETS	$ 882,724,699	$ 312,759,601	$ (60,933,991)	$ 1,134,550,307

The increase in Construction in progress (CIP) for 2019 is net of $20,550,000 in receipts from developers to pay for their involvement in the expansion project.

Asset Class	January 1, 2018	Increases	Decreases	December 31, 2018
Capital assets, not being depreciated				
Land	$313,837,908			$313,837,908
Land development costs	20,039	20,537		40,576
Construction in progress	125,373,206	182,389,837	(13,948,332)	293,814,711
Total capital assets, not being depreciated	$439,231,153	$182,410,374	($13,948,332)	$607,693,195
Capital assets, being depreciated				
Buildings and improvements	458,142,009	1,142,753	(821,422)	458,463,340
Other improvements and art collection	11,654,366	608,007		12,262,373
Machinery/equipment/furniture/fixtures	13,649,344	781,780		14,431,124
Total capital assets, being depreciated	$483,445,719	$2,532,540	($821,422)	$485,156,837
Less accumulated depreciation for				
Buildings	(185,386,868)	(11,891,306)	258,399	(197,019,775)
Other improvements and art collection	(2,736,166)	(781,654)		(3,517,820)
Machinery/equipment/furniture/fixtures	(8,468,758)	(1,118,981)		(9,587,739)
Total accumulated depreciation	($196,591,791)	($13,791,941)	$258,399	($210,125,333)
Total capital assets, being depreciated, net	286,853,928	(11,259,401)	(563,023)	275,031,504
Total capital assets	$ 726,085,081	$ 171,150,973	$ (14,511,355)	$ 882,724,699

NOTE 6 – EMPLOYEE BENEFITS

A. Defined Contribution Retirement Plans

Before transition to a public facilities district, WSCC as an agency of the state of Washington, participated in a 401(k) defined contribution retirement plan for its employees under the authority of Internal Revenue Code Section 457. It continued its Retirement Contribution Plan. In the transition to a public facilities district, Internal Revenue rules required the funds in 401(k) plans be transferred into the District's 401(a) Plan and the 457 Plan to rollover to the District's 457(b) Plan. All the plans, when WSCC was an agency of the state of Washington and becoming a District, transferred the responsibility for selecting among investment options from the plan fiduciaries to the plan participants as permitted under ERISA 404(c). The defined contribution plans are administered by RBC Wealth Management and are not considered either assets or liabilities of the District.

<u>401(a) – Compensation Deferral Plan</u>

All full-time employees are eligible for this plan upon hire, with the exception of 1) leased employees, 2) union employees, 3) non-resident aliens with no US source income and 4) individuals not eligible based on written agreement. The entry date is the first day of any month. Each employee directs how contributions are to be invested and receives an individual monthly statement of activity.

The District contributed $297,135 and $296,246 for 2019 and 2018, respectively, to the employee 401(a) plan. The District contributes five percent based on the employee's compensation; and may match $0.50 for each dollar an employee contributes to the employee retirement contribution plan up to 6 percent of the employee's wages. Vesting in the employer contributions occurs in accordance with the following schedule:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Forfeitures from non-eligible employees are netted against plan expenses. There were no forfeitures for fiscal year 2019 or 2018.

457 (b) Employee Retirement Contribution Plan

All full-time employees are eligible for this plan upon hire, with the exception of 1) leased employees, 2) union employees, 3) non-resident aliens with no US source income and 4) individuals not eligible based on written agreement. The entry date is the first day of any month. Each eligible employee determines the pre-tax contribution to be withheld from gross wages, with a minimum participation of 1 percent of compensation and a maximum of $19,000 or 100 percent of includible compensation, whichever is less. Employees age 50 or older, or those within three years of retirement, may contribute an additional $6,000. Each employee directs how contributions are to be invested and receives an individual monthly statement of activity.

Employees vest in the program from inception, and they may receive benefits upon retirement, termination or death. The employee may make a pre-tax contribution to the contribution plan. All full-time non-represented employees are eligible, and 100 percent vested. Employees contributed $348,964 and $322,288 in 2019 and 2018, respectively, to their 457(b) plan.

All defined contribution pension plans were established by, and can be amended by, the District’s Board of Directors.

B. Health & Welfare

The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2019, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental, life and vision insurance through the following carriers: Kaiser Permanente, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, The Standard, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018 and 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Life Map, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 7 – RISK MANAGEMENT

A. General Liability Insurance

The District has property and casualty insurance through Liberty Mutual Insurance Company of Kentucky through November 30, 2020, as follows: $566 million in total coverage for its facilities and operations including earthquake, flood and terrorism coverage. The total combined maximum deductible is $200,000.

B. Employee Dishonesty Insurance

The District maintains a blanket bond for employee dishonesty, with a current coverage limit of $1,000,000, with a $10,000 deductible. There were no claims against this policy in 2019.

C. Liability Insurance

The District maintains insurance through Associated Industries Insurance Company (Alliant "SLIP" program) for the following liability categories (aggregate limit): General ($10,000,000), Stop Gap

($10,000,000), Auto ($10,000,000); Umbrella ($5,000,000), Management ($3,000,000). A $10,000 deductible generally applies to these coverages.

There have been no settlements exceeding insurance coverage for the past three years.

NOTE 8 – LONG-TERM DEBT

A. Long-Term Debt

The District, in August 2018, issued bonds for the purchase price of $1,082,583,084, net of underwriter discount issuing revenue bonds. The par amount for the aggregate issuance of the 2018 First Priority Bonds and 2018 Subordinate Priority Bonds was $1,003,595,000.

	2018 First Priority Bonds	2018 Subordinate Priority Bonds	Aggregate Issuance
Par Amount	$ 598,790,000.00	$ 404,805,000.00	$ 1,003,595,000.00
Plus: Net Original Issue Premium	51,057,433.75	30,772,964.65	81,830,398.40
Less: Underwriters' Discount	(1,695,852.77)	(1,146,461.47)	(2,842,341.24)
Total Purchase Price	**$ 648,151,580.98**	**$ 434,431,503.18**	**$ 1,082,583,084.16**

The District issued revenue bonds to finance a portion of the Summit facility costs, an addition to adjacent to the Convention Center located on approximately 7.7-acre site bordered by Pine and Howell Streets and Ninth and Boren Avenues. The District has obtained a debt service reserve insurance policy in connection with its 2018 bond issuance that covers both the 2010 bonds and the 2018 bonds. To the extent that the District is not able to make debt service payment to bond holders from Lodging taxes, the insurance policy will pay for the debt service and will convert the amount of the debt service payment, not paid by the District, but paid by the insurance policy to a liability owed to the insurance company. As such, bond holders are protected for payment of their amount due under this insurance policy.

The District issued revenue bonds in November 2010 in the original amount of $314,652,701. The debt service is supported by the Lodging Tax, pursuant to RCW 36.100.040(4). This debt issue had three purposes:

1. Finance the transfer of the Washington State Convention Center from the state to the District.
2. Provide capital funds for renovations of the convention center.
3. Provide funds for a Common Reserve.

Revenue bonds and King County Note outstanding as of December 31, 2019 and changes from 2018 are as follows:

Description	Maturity	Interest Rates	Balance 12/31/2018	Additions	Reduction	Balance 12/31/2019	Amount Due Within One Year
Bonds 2010B	2019-2040	3.92%-6.79%	271,615,000	$ -	$(7,755,000)	$ 263,860,000	$ 8,005,000
Less Current Portion			(7,755,000)			(8,005,000)	
Long Term Portion			263,860,000			255,855,000	
King County CPS Note	2025-2056	4.25%	141,010,940			141,010,940	
Less Current Portion			-			-	
Long Term Portion			141,010,940			141,010,940	
			-				
2018 First Priority	2019-2058	5.00%	598,790,000			598,790,000	305,000
Less Current Portion						(305,000)	
Net Original Issue Premium			50,516,571		(1,298,070)	49,218,501	
Long Term Portion			649,306,571			647,703,501	
2018 Subordinate Priority	2019-2058	5.00%	404,805,000			404,805,000	375,000
Less Current Portion			-			(375,000)	
Net Original Issue Premium			30,446,979		(782,364)	29,664,615	
Long Term Portion			435,251,979			434,094,615	
Total Long Term Debt			$ 1,489,429,491	$ -	$(9,835,434)	$ 1,478,664,057	$ 8,685,000

Description	Maturity	Interest Rates	Balance 12/31/2017	Additions	Reduction	Balance 12/31/2018	Amount Due Within One Year
Bonds 2010B	2018-2040	5.02%-6.79%	279,135,000	$ -	$ (7,520,000)	$ 271,615,000	$ 7,755,000
Less Current Portion			(7,520,000)		(235,000)	$ (7,755,000)	
Long Term Portion			271,615,000			263,860,000	
King County CPS Note	2025-2056	4.25%	163,010,930		(21,999,990)	141,010,940	
Less Current Portion			(21,999,990)		21,999,990	-	
Long Term Portion			141,010,940			141,010,940	
						-	
2018 First Priority	2019-2058	5.00%		598,790,000		598,790,000	
Net Original Issue Premium				51,057,434	(540,863)	50,516,571	
Long Term Portion						649,306,571	
2018 Subordinate Priority	2019-2058	5.00%		404,805,000		404,805,000	
Net Original Issue Premium				30,772,964	(325,985)	30,446,979	
Long Term Portion						435,251,979	
Total Long Term Debt			$ 412,625,940	$ 1,085,425,398	$ (8,621,847)	$ 1,489,429,491	$ 7,755,000

The District and King County Purchase and Sales Agreement for CPS property was finalized July 25, 2017. The purchase price was $161,010,940 and was paid as follows:

- $20 million cash at closing.
- The balance of the Purchase Price was paid by the District at closing with a promissory note.
  - Thereafter closing for a period of 5 years interest only payments shall be due to King County in the amount of $1,410,109 for a total of six payments.
  - Year 7 begin payment on 25-year promissory note with a beginning balance of $141,010,940.
  - District paid separate from the purchase price, $5,000,000 in cash at closing to satisfy the Districts affordable housing obligation.

Revenue bond and note debt service requirements to maturity as of December 31, 2019 are as follows:

	2010B		Less BABs		CPS Note		2018 First Priority		2018 Subordinate Priority		
Year	Principal	Interest	Subsidy	Total	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	8,005,000	17,710,341	(5,789,509)	19,925,832		1,410,109	305,000	28,180,500	375,000	18,990,250	69,186,691
2021	8,280,000	17,292,400	(5,652,884)	19,919,516		1,410,109	325,000	28,165,250	395,000	18,971,500	69,186,375
2022	8,590,000	16,810,343	(5,495,299)	19,905,043		1,410,109	355,000	28,149,000	415,000	18,951,750	69,185,902
2023	8,970,000	16,227,082	(5,304,631)	19,892,450		1,410,109	385,000	28,131,250	435,000	18,931,000	69,184,809
2024	9,365,000	15,618,019	(5,105,529)	19,877,490	777,416	5,992,965	420,000	28,112,000	455,000	18,909,250	74,544,121
2025 - 2029	53,410,000	67,970,956	(22,219,699)	99,161,257	7,765,229	29,257,988	2,680,000	140,207,500	2,635,000	94,182,500	375,889,474
2030 - 2034	66,280,000	48,165,544	(15,745,312)	98,700,232	15,965,746	26,954,310	3,925,000	139,421,500	35,940,000	90,354,750	411,261,538
2035 - 2039	82,265,000	23,586,084	(7,710,288)	98,140,795	27,083,424	22,672,683	5,630,000	138,281,000	45,865,000	80,426,000	418,098,902
2040 - 2044	18,695,000	1,269,391	(414,964)	19,549,427	41,955,601	15,725,366	91,890,000	130,607,750	58,540,000	67,753,500	426,021,644
2045 - 2049					47,463,524	5,228,851	141,040,000	101,007,250	74,715,000	51,580,000	421,034,625
2050 - 2054							178,190,000	63,857,400	94,060,000	32,229,100	368,336,500
2055 - 2058							173,645,000	19,994,600	90,975,000	10,057,200	294,671,800
Total	$ 263,860,000	$ 224,650,156	$ (73,438,114)	$ 415,072,043	$141,010,940	$111,472,599	$598,790,000	$874,115,000	$ 404,805,000	$ 521,336,800	$3,066,602,382

As discussed in NOTE 11, Congress' BABs subsidies was originally 35 percent, sequestration measures have reduced to 32.69 percent. Effects of future subsidy reductions through 2040 have been reflected in the debt service to maturity in the above maturity chart. This chart assumes that the BABs subsidy will remain 32.69 percent through maturity.

The District began capitalizing interest costs on the Addition project in 2014 per FASB Statement Number 34. Statement Number 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was approved and implemented in 2018. Statement Number 89 starting in 2018 discontinued the practice of capitalization of interest costs on construction projects. In addition, it does not allow restating prior period statements to change prior capitalized interest costs. Total interest cost, during 2018 with approximately half year of the King County note, and 2018 Priority and Subordinate bonds was $31,597,393. Total Capitalized Interest beginning in 2014 through 2017 is $17,578,572.

NOTE 9 – LEASES

Operating Leases

The District leases office equipment under non-cancellable operating leases. The total commitments under these leases are $92,660 until the end of the leases in 2024.

Tenant Leasing Agreements

The District leases building space to various retail tenants. A total of 17 retail leases provided revenue of $823,020 in fiscal 2019. Lease contract terms will expire within one to four years for many of the retail tenants. It is not known if options to extend terms will be exercised, but negotiations are ongoing at this time with some retail tenants. Based on enforceable contracts on December 31, 2019, future minimum rental payments required for five succeeding years are:

Year	Lease Revenue
2020	$597,841
2021	$416,510
2022	$251,471
2023	$151,185
2024	$13,461
Total	$1,430,468

Retail spaces, separate and apart from the convention center facilities have never been recorded separately from the convention center facilities. As such, the original cost, accumulated depreciation and net carrying value of the leased assets are not available to be reported.

Capital Leases

The District entered into a capital lease for radio equipment valued at $252,706 during 2019 as follows.

Year ended 12/31	Principal	Interest	Total
2020	$ 37,265.99	$ 13,379.53	$ 50,645.52
2021	39,624.00	11,021.52	50,645.52
2022	42,131.22	8,514.30	50,645.52
2023	44,797.08	5,848.44	50,645.52
2024	47,631.62	3,013.90	50,645.52
Total	211,449.91	41,777.69	253,227.60
Less current portion	(37,265.99)	(13,379.53)	(50,645.52)
Long term portion	$ 174,183.92	$ 28,398.16	$ 202,582.08

The long-term portion of this lease agreement is reflected as “other” noncurrent liabilities and the current portion is included in the “Other” Noncurrent liability classification.

Other Leasing Agreements

The District earns lease revenue from real property acquired for the Summit project. These lease terms are month to month. Leases end when pre-construction work begins on designated property. Revenue from these leases is included in other non-operating revenues and was $13,165 in 2019 and $169,119 in 2018.

The District has entered into lease agreements in 2019 to support the Summit project addition. These lease payments will be capitalized as a part of the Summit project, during the construction period. Future lease commitments are as follows:

Year	Prime Property Fund (Construction Office)	FANA 8th&Pine LLC (Construction Staging)	WSDOT	TOTAL
2020	$ 268,500	$ 960,000	$ -	$ 1,230,520
2021	$ 275,873	$ -	$ -	$ 277,894
2022	$ 18,348	$ -	$ -	$ 20,370
2023	$ -	$ -	$ -	$ 2,023
2024	$ -	$ -	$ 463,483	$ 465,507
TOTAL	**$ 562,721**	**$ 960,000**	**$ 463,483**	**$ 1,986,204**

The District leases space for construction offices and construction staging. In addition, the District has a long-term lease with WSDOT for airspace rights which began July 2018 and terminates June 2084. Annual rental payments of $475,000 (prorated in 2024) begin in FY2024. Annual increases are based on CPI and there is an adjustment to market at 15 years. Total estimated payments under the WSDOT lease from 2024 to 2084 are approximately $28,726,000.

NOTE 10 – COMMITMENTS AND CONTIGENCIES

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but where based on available information, management believes it is probable that the District will be assessed a liability. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

A. Capital Projects

The proceeds of $21,435,000 from the November 2010 debt issue are restricted for capital improvements and must be expended within a 36-month period to avoid arbitrage requirements. However, interest earned on funds not spent within the 36-month period is significantly under the original bond rates. Therefore, an arbitrage calculation for the Internal Revenue Service is not necessary.

Common Reserve Fund of $19,521,016 was funded from the 2010AB Bond sale to be held by the Trustee. The Common Reserve requirement was to cover the maximum annual debt service on the bonds. In August 2018 a Surety bond replaced the Common Reserve and the funds were spent by the District in October. As confirmed by BLX an Arbitrage firm there is no arbitrage liability.

B. Freeway Park

In February 1997, The District entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, The District paid debt service on the $1.3 million of city bonds outstanding at the time, and the final debt service payment was made in June 2002. In accordance with the lease agreement, a capital reserve account, not to exceed $500,000, with annual maximum payments of $20,000, was set up. Final capital reserve payment to bring the capital reserve account to $500,000 was made in 2018. The District is responsible for all repairs and maintenance.

C WSDOT Leases

On February 4, 1986, WSCC entered into a 66-year lease agreement with the Washington State Department of Transportation (WSDOT). WSDOT has assigned the remainder of the lease from WSCC to the District. Under this agreement, the WSCC leases airspace and other real property. In 1984, Shorett & Riely appraised the leased airspace and determined that its value was $12,869,000. Additionally, it was determined that qualifying site penalties were valued at $10,722,983 and qualifying rent credits were valued at $5,631,358. The payment of rent by the District may be satisfied by payments in cash or by rental credits. After the first 15 years of the lease and every 10 years thereafter, the lease shall be reviewed. In fiscal 2013, the lease payments came up for review, and with an updated appraisal in fiscal 2014, the Department of Transportation and the District agreed that the value of the rent credits more than offset annual rent. The rent cannot increase by more than 30% for any review period. For the first 25 years, the qualifying site penalties and the qualifying rent credits have offset annual rent.

In July 2018, the District entered into a 66-year lease agreement with the WSDOT that expires June 30, 2084. Agreement allows the District to build the southeast corner of the Summit building adjacent to Boren Avenue and Pike Street over the I-5 freeway express lane ramp. It is anticipated WSDOT rent credits will off-set lease payments through 2024. Annual lease payments are $475,000. Annual increases are based on CPI. Every fifteen years adjustment are made to the market.

D. Expansion-Related Commitments

In connection with the convention center Summit Building project (Addition), the District has entered into various contracts for property development, project management, architectural, engineering and construction activities. Total commitments under these agreements total $854 million as of December 31, 2019.

E. Pending Lodging Excise Tax Removal of Exemption for Premises with Fewer Than Sixty Lodging Units

House bill 2015 and companion Senate bill 5850 passed the 2018 legislative session. The lodging excise tax bill modifies the lodging excise tax to remove the exemption for premises with fewer than sixty lodging units and to tax certain vacation rental, short-term home sharing arrangements and other compensated use or occupancy of dwellings. Revenues from this bill is shared with the City of Seattle and King County. The District remitted to the City of Seattle all short-term rental funds collected in the City of Seattle. After the City of Seattle received their funds, the District remits to King County fifty percent of the funds received from this bill. The funds received from this legislation by the City of Seattle is earmarked for community-initiated equitable development and affordable housing programs. King County funds must be used to support affordable housing programs. The Department of Revenue collections in 2019 are as follows; the District $1,746,711, King County $1,746,711 and City of Seattle $9,401,720. Total short-term rental funds collected for 2019 for all three governments totaled $12,895,142.

F. Issuing Debt for the Addition Project

In August 2018, the District net proceeds from the bond sale was $1,080,666, for the Summit building project. Budget for the project is $1.9 billion, another First Priority bond issue for approximately $235.5 million is expected in 2021. The remaining project funds will come from cash, investment earnings and other sources.

NOTE 11 – INFREQUENT EVENTS

BUILD AMERICA BONDS

The District made an irrevocable election to have Section 54AA of the Internal Revenue Code of 1986, apply to 2010B Bonds so that the 2010B Bonds are treated as “Build America Bonds” (BAB). Under this treatment the District has received an interest subsidy of 35% from the US Treasury. The District believed this subsidy would be intact for the life of the bonds outstanding.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended in 2012 certain automatic reductions took place as of March 1, 2013. These required reductions of 8.9% to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The sequester reduction is applied to section 6431 amounts claimed by an issuer on any

Form 8038-CP filed with the Service which results in a payment to such issuer on or after March 1, 2013. The sequestration current subsidy rate is 32.69%. This sequestration rate is expected through 2040.

BAB subsidy request form is Form 8038-CP. The District BAB reduction from Congress sequestration measures for 2019 was $392,763. The original 2019 annual BAB subsidy was $6,334,901 less actual BAB subsidy received of $5,942,138. It is forecasted that the reduction in the 2020 BAB subsidy will be $365,719.

NOTE 12– COMPONENTS OF NET POSITION

In accordance with GASB 34, net position is presented on the Statement of Net Position in three categories:

Net investment in capital assets
Restricted net position
Unrestricted net position

Capital assets consist of land, buildings, machinery and equipment, furniture and fixtures, art collections and construction in progress. The related debt is the debt issued to support acquisition and construction of capital assets, reduced for any unspent proceeds. *Restricted assets* are defined as assets that have been restricted by contractual agreement with external parties (e.g., debt covenants) or by law through enabling legislation. Restricted assets are reduced by related liabilities to determine restricted net position. *Unrestricted assets* include assets that have no restrictions placed on them, as well as assets that have been internally restricted (e.g., imposed by the District's Board of Directors).

The following provides detail of the components of net position as of December 31, 2019:

Category	Assets	Related Liability	Net Position
Capital assets, net of accumulated depreciation	$ 1,134,550,307		
Less Bonds and Notes Payable		(1,482,455,286)	
Plus unspent proceeds reflected as restricted below		672,059,147	
Net position invested in capital assets			324,154,168
Restricted assets			
Restricted for Expansion	672,059,148	(672,059,147)	0
Restricted for debt service under bond covenants	44,331,245		
Interest payable to be paid from restricted assets		(33,145,600)	
Principle payable to be paid from restricted assets		(5,067,955)	
Retainage payable to be paid from restricted assets	7,390,329	(7,390,329)	6,117,690
Restricted for capital improvements	-	-	-
Restricted for operating reserve	10,293,677		10,293,677
Restricted net position			16,411,367
Unrestricted			159,094,022
Total Net Position			$ 499,659,558

The following provides detail of the components of net position as of December 31, 2018:

Category		Assets	Related Liability	Net Position
Capital assets, net of accumulated depreciation	$	882,724,699		
Less Bonds and Notes Payable			(1,492,660,776)	
Plus unspent proceeds reflected as restricted below			892,777,804	
Net position invested in capital assets				282,841,727
Restricted assets				
Restricted for Expansion		892,777,804	(892,777,804)	0
Restricted for debt service under bond covenants		36,860,811		
Interest payable to be paid from restricted assets			(28,297,060)	
Principle payable to be paid from restricted assets			(4,523,715)	
Retainage payable to be paid from restricted assets		3,478,128	(3,478,128)	4,040,036
Restricted for capital improvements		-	-	-
Restricted for operating reserve		10,472,521		10,472,521
Restricted net position				14,512,557
Unrestricted				172,654,982
Total Net Position				$ 470,009,267

Certain reclassifications are made to the 2018 net position as previously reported to conform to the presentation used in 2019.

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 27, 2020, the date which the financial statements were available to be issued.

COVID-19

The District (or WSCC PDF) evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. The district submitted a statement under its continuing disclosure obligation for the bonds on May 15, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which will have negative impact on income and Lodging Tax revenues that were expected by the District. The Governor of the State of Washington has issued a proclamation that canceled events and closed the building for convention events on March 24, 2020.There is considerable uncertainty that the closure will extend past July 2020. The Governor deferred Lodging Tax payments for businesses for an additional two months during COVID-19 coronavirus outbreak. Therefore, Lodging Tax earned in March will not be known nor transferred to the District until the end of July. The potential impact of this deferral of taxes is unknown as of May 27, 2020, unpresented low tax receipts is forecasted in the industry.

The preliminary forecast projects a range of financial impacts, by estimating revenues under different decline and recovery scenarios. The WSCC PFD's preliminary estimates project a decrease in the WSCC PFD's lodging tax revenues for the period April-December 2020 of 60% to 75% (or an estimated decline of $47,004,000 to $59,173,000) as compared to April-December 2019. WSCC anticipates monthly revenue losses may exceed 85%,

The WSCC PFD expects that the Additional Lodging Tax Revenue pledged to its outstanding bonds will be used to pay of a portion of its June 1, 2020 interest payment, and that the WSCC PFD will therefore incur a Deficiency Loan obligation on that date to the State under RCW 36.100.040(5) and (6). Any Deficiency Loan accrues interest at a statutory rate equal to the twenty-bond general obligation bond buyer index plus one percentage point. Under the terms of the WSCC PFD's Transfer Agreement with the State, any Deficiency Loan is amortized over a five-year term. Based on current projections the WSCC PFD expects to continue to apply Additional Lodging Tax Revenues to pay a portion of upcoming debt service payments, incurring additional Deficiency Loan obligations to the extent of Additional Lodging Tax Revenues applied. The WSCC PFD also may be required to use unrestricted balances for debt service in the event that lodging tax revenues (including Additional Lodging Tax Revenues) are insufficient for this purpose.

The WSCC PFD is exploring several avenues in response to projected revenue impacts. The WSCC PFD has reviewed potential cost-saving measures, including identification of non-essential spending. The WSCC PFD has furloughed almost all management staff and has laid off 110 FTE until such time as business warrants rehiring opportunities.

All events previously booked at the WSCC from March 25, 2020 through July 15, 2020 have been cancelled per the Governor's Stay Home, Stay Healthy proclamation, resulting in net operating revenues to be less than 10% of normal monthly budgets for 2020. The WSCC PFD anticipates event revenues to be considerably lower for the remainder of 2020 with fewer events being held and less attendees.

NOTE 14 – ARBITRAGE

The 2010B Bonds are not "qualified tax-exempt obligations" due to the Build America Bonds subsidy, which the District receives to offset interest expense. The proceeds of this bond issue must be expended within 36 months to avoid arbitrage requirements. However, interests earned on funds not spent within the 36-month period are significantly under the original bond rates.

The remaining Project Fund Deposit for building improvements of $21,435,000 was expensed by the end of July 2015. BLX Group LLC prepared an arbitrage analysis and rebate calculation for the District. BLX Group LLC concluded that no payment to the Internal Revenue Service was necessary nor was filing of the Form 8038-T needed.