
# Washington State Convention Center Public Facilities District:

## Independent Auditor's Report, Financial Report, and Required Supplementary Information

For Fiscal Years Ended December 31, 2023 and 2022


Seattle Convention Center

MOSSADAMS

# Report of Independent Auditors

Board of Directors
Washington State Convention Center Public Facilities District

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Washington State Convention Center Public Facilities District (the "District"), which comprise the statements of net position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Washington State Convention Center Public Facilities District as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matters*

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2022. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

***Required Supplementary Information***

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

Moss Adams LLP

Seattle, Washington
May 23, 2024

**Management's Discussion and Analysis (MD&A) For the Year Ending December 31, 2023**

**OVERVIEW**

This narrative provides an overview and analysis of the Washington State Convention Center Public Facilities District's (the "District") financial activities for the fiscal year ended December 31, 2023. The MD&A focuses on significant financial issues, provides an overview of the District's financial activity and highlights operational 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 Annual Comprehensive Financial Report (ACFR) 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") which 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 and its new $1.9 billion addition named Summit opened in January 2023. The combined one-of-a-kind urban convention center campus will be ranked in the top 40 convention centers in the nation. Each building (Arch and Summit) can operate independently or simultaneously. The combined complex will generate significant regional economic activity by attracting international, national, and regional 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 sales of food and beverage at the facility.

The District also operates three separate public parking garages in downtown Seattle totaling 2,150 spaces. The garages are 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 resulting from parking fees and electric vehicle charging stations.

The Center hosted 160 events in the fiscal year ended on December 31, 2023, drawing 352,728 attendees and generating more than 260,000 hotel room nights. In 2022, the post pandemic recovery had already begun accelerating with 145 events and 271,018 attendees.

## CONVENTION CENTER EVENTS

| Year | Number of Events | Number of Attendees |
|---|---|---|
| 2019 | 212 | 369,204 |
| 2020 | 30 | 94,885 |
| 2021 | 28 | 65,166 |
| 2022 | 145 | 271,018 |
| 2023 | 160 | 352,728 |

## FINANCIAL HIGHLIGHTS

A. Net position decreased by approximately $34 million from 2022 to 2023 mainly due to cash used for the Summit addition construction project and an increase in accumulated depreciation.

B. Total operating revenues increased $20.6 million or 77% from 2022 to 2023 because of the convention center's additional capacity at the Summit building and continued improvement in the event business post pandemic.

C. Nonoperating revenue and expenses decreased 40% to $38.7 million from $64.3 million from 2022 to 2023 mainly due to a large gain of $44.9 million recognized in 2022 on the sale of a property. Lodging tax revenues continued to improve post pandemic, up $7 million, and demand for leisure activities was strong.

D. Nonoperating interest and investment income increased $4 million or 349%. A higher interest rate environment allowed the District to earn additional returns on investments.

## 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 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 like the accounting used by most private sector companies. All the current year revenues and expenses are considered regardless of when cash is received or paid.

The District's net position is the difference between assets and liabilities. The District reports net position as the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources.

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 Statement 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, 2023 and 2022 are reported in the District's financial statements.

The District's operating revenues and expenses result from providing a variety of services associated with convention and event business (building rent, food services, and facility services). The District also operates approximately 2,150 parking stalls in three facilities and manages approximately 43,000 square feet of retail space available for long-term leasing for both the Arch and Summit building combined. Finally, nonoperating revenue and expenses represent the major source of tax revenue and debt administration.

**The Statement of Cash Flows**

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

## FINANCIAL ANALYSIS

**Washington State Convention Center Public Facilities District**
**Condensed Comparative Statement of Net Position**
**For the Years Ending December 31, 2023, 2022 and 2021**
**In Millions**

| | 2023 | 2022 Restated** | Percentage Change | 2021 | Percentage Change |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current & other assets | $ 148.1 | $ 196.2 | -24.5% | $ 480.3 | -59.2% |
| Capital assets | 2,206.2 | 2,209.8 | -0.2% | 1,933.5 | 14.3% |
| Total assets | $ 2,354.3 | $ 2,406.0 | -2.1% | $ 2,413.8 | -0.3% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows | $ 40.5 | $ 42.2 | -4.1% | $ 43.4 | -2.8% |
| Total assets & deferred outflows | $ 2,394.8 | $ 2,448.2 | -2.2% | $ 2,457.2 | -0.4% |
| LIABILITIES | | | | | |
| Current liabilities | $ 95.5 | $ 101.5 | -5.9% | $ 143.1 | -29.1% |
| Noncurrent liabilities | 1,898.2 | 1,912.9 | -0.8% | 1,918.5 | -0.3% |
| Total liabilities | $ 1,993.7 | $ 2,014.4 | -1.0% | $ 2,061.7 | -2.3% |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Leases | $ 2.0 | $ 0.5 | 331.3% | $ 0.7 | -37.0% |
| Total liabilities & deferred inflows | $ 1,995.7 | $ 2,014.9 | -1.0% | $ 2,062.4 | -2.3% |
| NET POSITION | | | | | |
| Net investment in capital assets | $ 342.7 | $ 329.3 | 4.1% | $ 177.2 | 85.8% |
| Restricted | 13.9 | 19.4 | -28.5% | 32.7 | -40.6% |
| Unrestricted | 42.5 | 84.6 | -49.7% | 184.9 | -54.3% |
| Total net position | $ 399.1 | $ 433.3 | -7.9% | $ 394.8 | 9.7% |

*****Amounts reported for 2022 were adjusted for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based IT Arrangements***

Current and other assets decreased 24.5% or $48.1 million in 2023 from 2022 due to the use of funds for the continuing construction of the Summit building, use of cash to support operations, and support for the destination marketing organization Visit Seattle. Current and other assets decreased approximately $284.1 million from 2021 to 2022 due to the use of bond proceeds on Summit building construction costs, the use of cash to meet debt service, and offsetting operating losses attributable to the insufficient lodging tax revenues used for in-house marketing, and cancellation of events due to the pandemic.

Capital assets decreased $3.6 million from 2022 to 2023 due to increased depreciation on the Summit building and capital asset disposals. Capital assets increased $276.3 million from 2021 to 2022 due to the continuation of the Summit building site work including construction in process, net of current year depreciation and the disposal of the office tower co- development and marshalling yard.

Deferred outflows decreased $1.7 million from 2023 to 2022 and $1.2 million from 2021 to 2022 due to the continued amortization of the deferred amount on refunding of the 2018 bonds.

**FINANCIAL ANALYSIS (continued)**

Current liabilities decreased $6 million from 2022 to 2023 due to lower year- end liabilities on Summit related construction activities. Current liabilities decreased $41.7 million from 2021 to 2022 due to a lower year-end draw on Summit related construction activities. Noncurrent liabilities were flat from 2022 to 2023 as principal paid on debt was offset by a fourth State deficiency loan. Noncurrent liabilities were flat from 2021 to 2022 as principal paid on debt was offset by a third State deficiency loan.

Deferred inflows for leases increased by $1.5 million as additional tenant leases and distributed antenna network system leases were signed for the new Summit building.

Net investment in capital assets increased 4.1% or $13.4 million from 2022 to 2023 due to the continued construction costs for Summit and reduction of cash for use on the Summit project. Net investment in capital assets increased 85% or $152.1 million from 2021 to 2022 due to a mix of activities from the continued draw of bond proceeds for Summit construction, the disposal of assets and reduction of cash for use on the Summit project. Restricted net position decreased $5.6 million or 28.5% from 2022 to 2023 due to spending down of the bond proceeds for the construction of the Summit building. Restricted net position decreased 41% from 2021 to 2022 due to debt service reserve and capitalized interest fund associated with 2021 Jr “Green” bonds and the debt service reserve fund for 2021 General Obligation Net Parking Revenue note. The change in net position - investment in capital assets also reflects the net effects of other capital asset additions and disposals, bond principal payments, and depreciation on capital assets.

**FINANCIAL ANALYSIS (continued)**

**Comparative Schedule of Changes in Net Position**

**Washington State Convention Center Public Facilities District**
**Comparative Schedule of Changes in Net Position**
**For the Years Ending December 31, 2023, 2022 and 2021 in Millions**

| | 2023 | 2022 Restated** | Percentage Change | 2021 | Percentage Change |
|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | |
| Total operating revenues | $ 47.1 | $ 26.5 | 77% | $ 7.7 | 246% |
| NONOPERATING REVENUES | | | | | |
| Total Nonoperating Revenues | $ 99.4 | $ 133.6 | -26% | $ 48.9 | 173% |
| Total revenues | $ 146.5 | $ 160.1 | -8% | $ 56.5 | 183% |
| OPERATING EXPENSES | | | | | |
| Depreciation and Amortization | 49.7 | 14.2 | | 14.3 | |
| Operating Expenses | 70.3 | 38.1 | | 20.0 | |
| Total operating expenses | $ 119.9 | $ 52.3 | 129% | $ 34.3 | 53% |
| NONOPERATING EXPENSES | | | | | |
| Nonoperating Expenses | $ 60.7 | $ 69.3 | -12% | $ 74.5 | -7% |
| Total expenses | $ 180.7 | $ 121.6 | 49% | $ 108.8 | 12% |
| CHANGE IN NET POSITION | $ (34.2) | $ 38.5 | -189% | $ (52.2) | -174% |
| NET POSITION | | | | | |
| Beginning of Year | $ 433.3 | $ 394.8 | 10% | $ 447.0 | -12% |
| End of Year | $ 399.1 | $ 433.3 | -8% | $ 394.8 | 10% |

*****Amounts reported for 2022 were adjusted for the adoption of GASB 96, Subscription Based IT Arrangements (see Note 1)***

Total operating revenues increased 77% from 2022 to 2023 and were driven by a return of activity at the District and the opening of the Summit building in January 2023. Building rental revenue, food service, parking and facility services revenue accelerated as the number of events increased to 160 from 145. Property lease revenues increased 43% because new tenant space at Summit began being leased and occupied.

Operating expenses increased 129% from 2022 to 2023 due to the increase in the number of events, increased staff salaries, an increase in contribution to Visit Seattle, and the significant impact of the depreciation of the Summit building which was placed in service in January 2023. Operating expenses increased 53% from 2021 to 2022 due to more salaries and wages, professional services, food service expenses, and a larger contribution to the destination marketing organization, Visit Seattle. Salaries and wages increased 69% from 2022 to 2023 as the District brought back staff to support a larger event schedule. Professional services increased 140% because of increased insurance cost on the new Summit building. Aramark is the sole provider of food services at the center and food service expenses includes the cost of Aramark staff. The District assumed the cost of providing the furnishings and equipment (FF&E) for most of the new building. Funding of FF&E was provided through debt supported by the parking operations. A recovery in lodging tax collection allowed the District to increase funding to Visit Seattle from $7.5 million to $10 million. Overall, net operating loss increased $47.1 million from 2022 to 2023 due to significantly increased depreciation expense on the Summit building which was placed into service in January 2023.

Regular lodging tax (within the City of Seattle) increased 7% to $83.4 million and extended lodging tax (within King County boundaries) increased 28% to $5.6 million. Looking forward, the District's ability to guide lodging tax revenue trends will be supported by the opening of the Summit building. Two buildings allow the District to influence average daily room rates (ADR) and occupancy rates especially in the low tourism season or winter months. With two buildings working in concert, the District can reduce variability in ADR and occupancy rates by staggering events. So, as one event is moving in and beginning, another event can conclude and move out. The ability to manage and overlap events will lead to higher overall rates of hotel occupancy leading to a more stable and higher sustained rates of lodging tax revenue growth.

Nonoperating interest and investment income increased 349% from 2022 to 2023 due to a higher interest environment and the impact of the new lease agreements signed for the Summit building. Additionally, $19.9 million in nonoperating revenue in the form of legislative aid from the State of Washington was received in 2023.

Gain/Loss of disposal of assets represents a material change from the prior period. As part of the Summit addition, two neighboring land parcels were developed creating pads for a high-rise office tower and residential building. The first phase of the development (office tower pad) was sold in 2022. The second pad will be sold later. The additional asset disposal was from the sale of an auxiliary event staging area or marshalling yard. Together the asset disposals resulted in a $44.9 million gain in fiscal year 2022. The $8.5 million loss in 2023 was the result of disposals from the construction project for expenses not deemed capitalizable.

Overall, nonoperating revenue decreased by $34.2 million from 2022 to 2023 due to a reduction in gain on the sale of capital assets of $44 million offset by a $7 million increase in combined lodging tax revenue and $19.8 million in legislative aid revenue.

Overall, nonoperating expenses increased by $8 million from 2022 to 2023. The increase was driven by a loss on the disposal of capital assets related to expenses for the Summit building construction project.

## CAPITAL ASSETS

The following schedule is a summary of the District's investment in capital assets as of December 31, 2023, 2022, and 2021:

***In Millions***

| | 2023 | 2022 Restated** | 2021 |
|---|---|---|---|
| Capital assets, not being depreciated | $ 301.1 | $ 1,981.8 | $ 1,692.6 |
| Capital assets, being depreciated | 2,211.9 | 492.8 | 491.7 |
| Less accumulated depreciation and amortization: | (306.8) | (264.8) | (250.9) |
| Total capital assets, being depreciated, net | 1,905.1 | 228.0 | 240.9 |
| Total capital assets | $ 2,206.2 | $ 2,209.8 | $ 1,933.5 |

***Amounts reported for 2022 were adjusted for theadoption of GASB 96, Subscription-Based IT Arrangements (See Note 1)*

Capital assets decreased from 2022 to 2023 by approximately $3.6 million due to capital asset disposals offset by Summit building construction spending. Accumulated depreciation increased approximately $42 million due to the Summit addition building being put into service in January 2023. Additional information regarding capital assets is provided in Note 5 to the financial statements.

Future commitments for capital expenses are described in Note 11.

## DEBT ADMINISTRATION

In July 2023, pursuant to terms of the Transfer Agreement with the State of Washington, the District took a fourth deficiency loan of $4.2 million against accumulated additional tax receipts to preserve liquidity levels which will help to hedge against potential lodging tax revenue volatility. The Washington Office of State Treasurer reinterpreted the Transfer Agreement language and determined the annual interest rate is variable and therefore will reset every year.

More information on the District's long-term debt is provided in Note 6.

## ECONOMIC FACTORS

The consensus economic forecast for the U.S. economy is for slowing growth in 2024 due to persistent inflation, labor market tightness, and the Federal Reserve's continued stance on maintaining higher interest rates. Factors affecting tourism, hospitality, and convention business remain positive. Local economic fundamentals in King County, Washington continue to improve post pandemic.

As of December 31, 2023, Seattle-Tacoma International Airport experienced passenger volume 10.7% above 2022 year to date levels. Relevant statistics for King County are presented below:

| Annual Growth | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Population | 1.6% | 0.8% | 1.3% | 1.2% | 9.0% | 0.9% |
| Employment | -5.7% | 2.0% | 4.8% | 2.1% | 1.0% | 1.0% |
| Personal income | 6.0% | 7.5% | 4.4% | 4.6% | 6.4% | 5.6% |
| Inflation | 1.7% | 4.6% | 8.9% | 4.6% | 3.2% | 2.6% |
| Taxable retail sales | -7.5% | 16.6% | 10.5% | 3.8% | 3.7% | 5.1% |

Source: King County, WA Office of Economic and Financial Analysis, Second Quarter 2023. 2020 – 2022 represent actual figures and 2023 – 2024 represent projected figures.

Over the last decade, the total taxable lodging activity within King County grew to the point that lodging activity is evenly split between King County and the City of Seattle. Diversifying the economic base and revenue structure of the District are web-based lodging units (VRBO or Airbnb). This is a relatively new and developing revenue source.

## OTHER POTENTIALLY SIGNIFICANT MATTERS

The District and the Washington State Convention Center Public Facilities District Labor Council successfully renegotiated a multi-year labor contract in 2023. The contract was ratified in March 2023 and comprised the following unions: Pacific Northwest Regional Council of Carpenters of Seattle, King County and vicinity, International Brotherhood of Electrical Workers, Local No. 46, International Alliance of Theatrical and Stage Employees, Local No. 15, International Brotherhood of Teamsters, Local No. 117, Painters District, Council No. 5, Sign and Display Workers, Local No. 1094, UNITEHERE, Local No. 8, International Union of Operating Engineers, Local No. 302 and Service Employees International Union, Local No. 6.

## FINANCIAL CONTACT – REQUESTS FOR INFORMATION

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 are accessible at its website: www.seattleconventioncenter.com.

**Washington State Convention Center - Public Facility District**
**Statement of Net Position**
**December 31, 2022 and December 31, 2023**

| | 2023 | 2022 Restated* |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 40,704,347 | $ 64,212,350 |
| Restricted cash and cash equivalents | 56,286,372 | 66,051,430 |
| Investments | 21,417,563 | 24,534,675 |
| Restricted investments | 2,381,474 | 14,223,843 |
| Receivables (net) | 5,090,186 | 635,425 |
| Due from other governments | 10,756,742 | 11,216,533 |
| Lease & Interest Receivable | 381,652 | 278,266 |
| Prepayments and other current assets | 3,492,309 | 461,600 |
| Total Current Assets | 140,510,645 | 181,614,120 |
| Noncurrent Assets | | |
| Investments | 988,868 | 7,968,897 |
| Restricted investments | 4,920,595 | 6,340,932 |
| Lease & Interest Receivable | 1,634,885 | 253,510 |
| Total Noncurrent Assets | 7,544,348 | 14,563,339 |
| Capital Assets | | |
| Land | 296,359,669 | 297,331,010 |
| Artwork | 4,705,037 | 13,140 |
| Construction in Progress | 73,675 | 1,684,441,973 |
| Buildings and Improvements | 2,170,595,385 | 463,951,706 |
| Machinery/Equipment/Furniture/Fixtures | 27,739,045 | 15,095,868 |
| Other Improvements | 10,909,948 | 12,440,089 |
| Right to Use Lease Assets | 445,237 | 158,285 |
| Subscription Assets | 2,164,707 | 746,382 |
| Other Capital Assets | - | 443,776 |
| Accumulated Depreciation | (306,756,531) | (264,833,103) |
| Total Capital Assets | 2,206,236,172 | 2,209,789,125 |
| Total Assets | 2,354,291,165 | 2,405,966,584 |
| Deferred Outflows of Resources | 40,483,521 | 42,211,257 |
| Total Assets and Deferred Outflows | 2,394,774,686 | 2,448,177,842 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 1,941,824 | 8,252,674 |
| Retainage Payable from Restricted Access | 15,158,396 | 17,866,459 |
| Salaries, benefits and taxes payable | 1,830,236 | 941,877 |
| Unearned revenue and deposits payable | 7,134,259 | 3,782,910 |
| Due to other governments | 22,210,012 | 18,518,049 |
| Interest payable | 30,733,929 | 37,673,602 |
| Current portion of long term debt | 14,828,156 | 13,591,465 |
| Lease & Subscription Liability | 500,800 | 153,719 |
| Other Current Liabilities | 1,120,698 | 714,072 |
| Total Current Liabilities | 95,458,311 | 101,494,826 |
| Non-Current Liabilities | | |
| Long term debt, net | 1,894,868,231 | 1,910,496,959 |
| Due to Other Governments | 1,943,437 | 1,943,437 |
| Lease & Subscription Liability | 1,415,906 | 444,248 |
| Other Liabilities | - | 50,297 |
| Total Noncurrent Liabilities | 1,898,227,574 | 1,912,934,941 |
| Total Liabilities | 1,993,685,885 | 2,014,429,768 |
| Deferred Inflow of Resources | | |
| Leases | 1,986,442 | 460,591 |
| Total Liabilities and Deferred Inflows | 1,995,672,327 | 2,014,890,358 |
| NET POSITION | | |
| Net Investments in capital assets, net of related debt | 342,691,577 | 329,278,685 |
| Restricted: | | |
| Restricted for Debt Service | 13,897,479 | 19,448,284 |
| Unrestricted | 42,513,304 | 84,560,515 |
| Total Net Position | $ 399,102,359 | $ 433,287,484 |

## Washington State Convention Center - Public Facility District
## Statement of Revenues, Expenses, and Changes in Net Position
## December 31, 2022 and December 31, 2023

| | 2023 | 2022 Restated* |
|---|---|---|
| OPERATING REVENUES | | |
| Building Rent | $ 6,681,166 | $ 3,740,270 |
| Food Service | 25,138,818 | 14,512,070 |
| Parking | 3,662,434 | 3,386,848 |
| Facility Services | 4,777,461 | 3,188,881 |
| Retail Leases | 746,815 | 521,007 |
| Other Operating | 6,051,129 | 1,176,540 |
| Total Operating Revenues | 47,057,823 | 26,525,617 |
| OPERATING EXPENSES | | |
| Salaries and Wages | 12,655,670 | 7,501,477 |
| Employee Benefits | 6,903,205 | 4,435,951 |
| Professional and Other Services | 6,739,572 | 2,811,679 |
| Food Service Expense | 15,325,676 | 8,813,306 |
| Supplies | 1,570,546 | 404,100 |
| Utilities | 4,476,666 | 3,044,550 |
| Repair and Maintenance | 7,718,299 | 1,715,582 |
| Depreciation and Amortization | 49,669,560 | 14,242,306 |
| Other Administrative | 2,701,282 | 341,025 |
| Parking Debt Interest Expense | 563,949 | 581,144 |
| Visit Seattle, Outside Marketing | 10,000,000 | 7,500,000 |
| In-house Marketing Expense | 1,618,520 | 941,553 |
| Total Operating Expenses | 119,942,945 | 52,332,673 |
| OPERATING LOSS | (72,885,121) | (25,807,056) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Lodging Tax - Regular | 83,365,806 | 77,653,484 |
| Lodging Tax - Extended | 5,649,629 | 4,406,920 |
| Lease Interest Income | 33,262 | 8,626 |
| Interest and Investment Income | 5,143,131 | 1,144,906 |
| Interest Expense | (72,136,284) | (72,390,160) |
| Build America Bonds Subsidy | 5,255,238 | 5,451,729 |
| Gain/(Loss) on Disposal of Assets | (8,505,443) | 44,896,329 |
| Other Non Operating Revenues and Expenses & 2023 Legislative Aid | 19,894,658 | 3,110,606 |
| Total Nonoperating Expenses | 38,699,997 | 64,282,440 |
| CHANGE IN NET POSITION | (34,185,124) | 38,475,384 |
| NET POSITION | | |
| Beginning of year | 433,287,484 | 394,812,100 |
| End of year | $ 399,102,359 | $ 433,287,484 |

**Beginning net position for 2022 was adjusted for the adoption of GASB No. 96, Subscripton-Based IT Arrangements.*

*The accompanying Notes to the Financial Statements are an integral part of this statement.*

**Washington State Convention Center Public Facilities District**

**Statements of Cash Flow**

**For the Years Ending December 31, 2023 and 2022**

| | 2023 | 2022 Restated* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ 45,954,411 | $ 29,079,543 |
| Payments to suppliers | (59,022,612) | (66,164,926) |
| Payments to employees | (20,289,035) | (12,637,144) |
| Net cash used in operating activities | (33,357,236) | (49,722,527) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Nonoperating portion of lodging taxes received | 89,015,436 | 82,060,404 |
| Taxes received to be paid to other governments | 3,691,963 | 8,819,172 |
| Portion of taxes paid to other governments | 459,791 | (3,749,030) |
| Nonoperating revenues and (expenses) & 2023 Legislative Aid | 19,894,658 | 2,089,929 |
| Net cash provided by noncapital financing activities | 113,061,848 | 89,220,475 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from issuance of debt | 4,201,455 | 13,186,361 |
| Proceeds from land sales | - | 64,426,132 |
| Purchases of capital assets | (54,683,443) | (319,724,493) |
| Principal paid on capital debt | (13,684,185) | (12,205,774) |
| Lease interest income and expense, net | (312,187) | (76,399) |
| Interest paid on capital debt | (82,257,528) | (78,337,234) |
| Build America Bonds subsidy received | 5,255,238 | 5,451,729 |
| Net cash used in capital and related financing activities | (141,480,650) | (327,279,679) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 5,143,131 | 1,144,906 |
| Net change in fair value of investments | 2,466,020 | (97,505) |
| Purchases of investments | (148,300,691) | (248,338,210) |
| Proceeds from sales and maturities of investments | 169,194,517 | 310,399,556 |
| Net cash provided by investing activities | 28,502,977 | 63,108,747 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (33,273,062) | (224,672,984) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 130,263,780 | 354,936,764 |
| End of year | $ 96,990,719 | $ 130,263,780 |
| **CASH AND CASH EQUIVALENTS AS REFLECTED IN THE STATEMENT OF NET POSITION** | | |
| Cash and cash equivalents | $ 40,704,347 | $ 64,212,350 |
| Restricted cash and cash equivalents | 56,286,372 | 66,051,430 |
| Total cash and cash equivalents in the statement of net position | $ 96,990,719 | $ 130,263,780 |

**Beginning net position for 2022 was adjusted for the adoption of GASB No. 96, Subscription Based Information Technology Arrangements(see Note 1)*

*The accompanying Notes to the Financial Statements are an integral part of this statement.*

**Washington State Convention Center Public Facilities District**

**Statements of Cash Flow**

**For the Years Ending December 31, 2023 and 2022**

| | 2023 | 2022 Restated* |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH** | | |
| **PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| Operating loss | $ (72,885,121) | $ (25,807,056) |
| Adjustments to reconcile operating loss to net cash | | |
| used in by operating activities | | |
| Depreciation and amortization | 49,669,560 | 14,242,306 |
| Bad debt expense | - | 42,646 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,454,762) | 921,910 |
| Operating accounts payable | (7,255,780) | (39,173,550) |
| Prepayments | (3,027,171) | (184,525) |
| Salaries, benefits, and taxes payable | 888,359 | 241,837 |
| Unearned revenue and deposits payable | 3,351,349 | 1,589,371 |
| Other operating liabilities | 356,329 | (1,595,466) |
| Net cash used by operating activities | $ (33,357,236) | $ (49,722,527) |
| | | |
| **SCHEDULE OF NONCASH INVESTING, CAPITAL,** | | |
| **NONCAPITAL, AND RELATED FINANCING ACTIVITIES** | | |
| Gain (loss) on fair value of investments | $ 2,466,020 | $ (97,505) |
| Net (gain) on disposal of capital assets | $ 8,505,443 | $ (44,896,329) |
| Forgiveness of PPP loan | $ - | $ 2,964,114 |

**Beginning net position for 2022 was adjusted for the adoption of GASB No. 96, Subscription-Based Information Technology Arrangements (see Note 1)*

*The accompanying Notes to the Financial Statements are an integral part of this statement.*

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The accompanying financial statements present the activities of the Washington State Convention Center (WSCC) Public Facilities District (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 July 19, 2010, the District was an enterprise fund of the State of Washington, and its activities were reported in the Annual Comprehensive Financial Report (ACFR) of Washington State.

The District is an independent governmental entity, and all of its activities are accounted for in the records of the District. The District is governed by a nine-member board of community members appointed by the State of Washington, King County, and the City of Seattle. 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.

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.

### Component Unit

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 administrative services to the Art Foundation. The total assets are $1,304,830 as of December 31, 2023, as well as total revenues of $431 and total expenses of $4,350 for the year. There are no transactions between the two entities for the years ended December 31, 202**December 31, 2023**3 and 2022. As such, the Art Foundation is not included in the WSCC's financial statements as either a blended or a discretely presented component unit.

### Basis of Accounting and Presentation

The financial statements of the District are presented following the proprietary fund principles of governmental accounting standards. Under those principles, the accounts of the District are grouped within a single fund for reporting purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The 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.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates particularly susceptible to significant change in the near term relate to the depreciable lives of capital assets.

## Summary of Significant Accounting Policies

### *Policy for Defining Operating and Nonoperating Revenues/Expenses*

Operating revenues/expenses are distinguished from nonoperating 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, other administrative expenses and marketing 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 convention 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 30% to 36% 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 35% of the gross revenues and Smart City retains the remaining revenue and covers all expenses. Encore is the preferred audio-visual provider. Generally, Encore pays the District 20% to 25% commission depending on the service or rented equipment provided.

For fiscal 2023 and all comparable years, the District consolidated marketing revenues and expenses into operating category. Marketing revenues and expenses are located on the Statement of Revenues, Expenses and Changes in Net Position between operating and nonoperating. 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.

### *Policy for Defining Cash Equivalents*

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

- Cash on hand.
- Cash on demand deposit with financial institutions.
- Cash in management pools (e.g., the Local Government Investment Pool) that are like demand deposits.

Cash equivalents include highly liquid investments with the following characteristics:

- Readily convertible to known amounts of cash.
- 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.

### *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.

## Budgetary Information

### *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 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 approved Resolution number 2010-16 that requires the establishment of an annual operating reserve based on 100 days of operating budgeted expenses. The balance of the Operating Reserve was $3,000,000 as of December 31, 2023. The reserves are slowly being replenished after the pandemic.

### *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.

## Assets, Liabilities, and Net Position

### *Cash and Cash Equivalents (see Note 3)*

The District's policy is to invest all temporary cash surpluses. At December 31, 2023 and 2022, the District had $40,704,347 and $63,212,350, respectively, in unrestricted cash and cash equivalents. At December 31, 2023 and 2022, the District had $56,286,372 and $67,051,430, respectively, in restricted cash and cash equivalents.

### *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 restricted investments in the amount of $7,302,069 and

$20,564,775 as of December 31, 2023 and 2022, respectively. Current restricted investments were spent on the Summit addition and Summit furniture and fixtures were offset. Current and non-current unrestricted investments are $22,406,431 and $32,503,572 as of December 31, 2023 and 2022, respectively. All investments are reported at fair value as reported by the external fiscal agent.

***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.

***Due to/from Other Governments***

Due from other governments is mainly composed of Lodging Tax collected by the hotels and earned in last two months of the fiscal year but paid to the District by the State of Washington in the first two months of the following year. Due to other governments consists primarily of the portion of lodging tax revenues payable to the State of Washington, City of Seattle, and King County.

***Inventories***

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

***Restricted Assets***

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

- Operating Reserve Account (board policy)
- Bond Interest and Principal Accounts
- Retainage Accounts

***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. 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 | |

***Leases (See Note 8)***

The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease, and remeasures the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The District is a lessor for noncancelable leases. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Subscription-Based Information Technology Arrangement (SBITA) – See Note 9***

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology (IT) Arrangements*, (GASB 96) retroactively to January 1, 2022. Accounting changes adopted to conform to the provisions of GASB 96 have been applied retroactively and 2022 figures have been adjusted. The impacts of the adoption are summarized in the following table:

| | 2022 as previously reported | Reclassification of Intangible Capital Assets & Financial Statement Accounts | Restatement related to adoption of GASB 96 | 2022 as restated |
|---|---|---|---|---|
| **Statement of Net Position** | | | | |
| Subscription Asset | - | - | 746,382 | 746,382 |
| Accumulated Depreciation and Amortization | (264,228,918) | (489,488) | (114,697) | (264,833,103) |
| Lease Liability Current | (6,597) | - | (147,122) | (153,719) |
| Lease Liability Non Current | - | - | (444,248) | (444,248) |
| Interest Payable | (37,667,433) | - | (6,169) | (37,673,602) |
| Net investment in capital assets | 328,534,425 | - | 744,260 | 329,278,685 |
| Restricted | 19,448,284 | - | - | 19,448,284 |
| Unrestriced | 85,270,630 | - | (710,115) | 84,560,515 |
| Total net position | 433,253,336 | - | 34,148 | 433,287,484 |
| **Statement of Revenues, Expenses, and Changes in Net Position** | | | | |
| Depreciation and amortization | 14,127,609 | - | 114,697 | 14,242,306 |
| Interest Expense - Subscription | - | - | 10,668 | 10,668 |
| Services - Administration - Operating Leases | - | - | (159,512) | (159,512) |
| Change in net position | 38,441,236 | - | 34,148 | 38,475,384 |
| **Statement of Cash Flows** | | | | |
| Payments to suppliers | (66,324,438) | - | 159,512 | (66,164,926) |
| Nonoperating revenues and (expenses) | 1,027,875 | 1,062,054 | - | 2,089,929 |
| Bond Issuance Costs (Reclassification) | (3,664) | 3,664 | - | - |
| Lease Interest Income & Expense, net | 78,613 | (155,012) | - | (76,399) |
| Interest paid on Capital Debt | (77,417,890) | (919,344) | - | (78,337,234) |
| Interest Received | 1,295,780 | (150,874) | - | 1,144,906 |

### *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 | Maxmimum Carry-over Accumulation Allowed (in hours) |
|---|---|---|
| 1-4 | 80 | 96 |
| 5-8 | 120 | 120 |
| 9-10 | 128 | 128 |
| 11-13 | 144 | 136 |
| 14-15 | 168 | 160 |
| Max | 176 | 160 |

Sick leave for all staff may be accumulated to a maximum of 720 hours, with excess up to 96 hours payable at 25% 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.

### *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.

### *Bond Premiums*

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of a bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable premium or discount. The District amortizes bond premiums or discount using the straight-line method.

## COMPONENTS OF NET POSITION

### *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.

*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).

### Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on previously reported net position.

## NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Management asserts 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). Deposits may at times exceed FDIC coverage limits.

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 U.S. 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, 2023 and 2022, cash and cash equivalents include:

| Financial Institution | 2023 | 2022 |
|---|---|---|
| U.S. Bank | $ 64,705,585 | $ 67,063,710 |
| Local Government Investment Pool (LGIP) | 32,285,134 | 63,200,070 |
| Total | $ 96,990,719 | $ 130,263,780 |

## 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, U.S. 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.

U.S. Government Treasury of $11,765,000 are valued using quoted process in an active market for identical assets (Level 1 inputs). Foreign issues, agency, commercial paper, and corporate securities of $17,942,000 are valued using quoted prices for similar assets, quoted process for identical or similar assets in a market that are not active, or other observable (Level 2 inputs). The District holds no investments that require valuation using Level 3 inputs.

The District has the following recurring fair value measurements as of December 31, 2023 (in thousands):

| Investment Type | Fair Value | Maturities: Less Than 1 Year | Maturities: 1 to 5 Years | % of Total Portfolio | Ratings: S&P | Ratings: Moody's |
|---|---|---|---|---|---|---|
| **Level 1** | | | | | | |
| Treasury notes | $ 11,765 | $ 6,844 | $ 4,921 | 39.60% | AAA/AA+/A-1+ | Aaa/P-1 |
| **Level 2** | | | | | | |
| Foreign issues | 3,013 | 3,013 | | 10.14% | A/A- | A1/A2 |
| Agency Bonds | 10,086 | 10,086 | | 33.95% | AA+/A-1+ | Aaa |
| Corporate | 4,843 | 3,854 | 989 | 16.30% | A+/A-/A-1 | A1/P-1 |
| Total | $ 29,707 | $ 23,797 | $ 5,910 | 100.00% | | |
| Percentage of total portfolio | | 80.11% | 19.89% | 100.00% | | |

As of December 31, 2022, 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:

| | | | Maturities | | | Ratings | |
|---|---|---|---|---|---|---|---|
| Investment Type | | Fair Value | Less Than 1 Year | 1 to 5 Years | % of Total Portfolio | S&P | Moody's |
| | Level 1 | | | | | | |
| Treasury notes | | $ 31,785 | $ 25,444 | $ 6,341 | 59.89% | AA+ | Aaa |
| | Level 2 | | | | | | |
| Foreign issues | | 1,491 | 490 | 1,001 | 2.81% | A/A- | A1 |
| Supranational | | - | - | - | 0.00% | | |
| Agency Bonds | | 18,327 | 12,333 | 5,994 | 34.53% | AA+/A-1+ | Aaa |
| Corporate | | 1,465 | 492 | 973 | 2.76% | AA+/A- | A1 |
| | Total | $ 53,068 | $ 38,759 | $ 14,309 | 100.00% | | |
| | Percentage of total portfolio | | 73.04% | 26.96% | 100.00% | | |

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.

The District's bank balance is insured by the FDIC up to $250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over $250,000. The WPDPC constitutes a multiple financial institution collateral pool. Washington state law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

## NOTE 5 – CAPITAL ASSETS

The capital assets and related changes during the years ended December 31, 2023, and December 31, 2022 are reflected in the following charts:

| Capital assets, not being depreciated | January 1, 2023* | Increases | Decreases | December 31, 2023 |
|---|---|---|---|---|
| Land | $ 297,331,010 | $ - | $ (971,341) | $ 296,359,669 |
| Art | 13,140 | 4,693,897 | (2,000) | 4,705,037 |
| Construction in progress | 1,684,441,973 | 59,755,267 | (1,744,123,566) | 73,675 |
| Total capital assets, not being depreciated | 1,981,786,123 | 64,449,164 | (1,745,096,907) | 301,138,381 |
| **Capital assets, being depreciated** | | | | |
| Building and improvements | 463,951,706 | 1,709,520,800 | (2,877,120) | 2,170,595,386 |
| Other improvements | 12,440,089 | 492,225 | (2,022,365) | 10,909,948 |
| Machinery, equipment, furniture and fixtures | 15,095,868 | 14,913,556 | (2,270,379) | 27,739,045 |
| Intangibles | 443,776 | 114,394 | (558,170) | - |
| Total capital assets, being depreciated | 491,931,439 | 1,725,040,975 | (7,728,035) | 2,209,244,379 |
| **Less accumulated depreciation and amortization for:** | | | | |
| Buildings | (245,373,746) | (45,776,037) | 2,874,034 | (288,275,749) |
| Other improvements | (6,175,203) | (810,039) | 2,022,365 | (4,962,877) |
| Machinery, equipment, furniture and fixtures | (12,679,969) | (2,599,385) | 2,268,874 | (13,010,479) |
| Intangibles | (440,238) | (117,932) | 558,170 | (0) |
| Total accumulated depreciation and amortization | (264,669,156) | (49,303,393) | 7,723,444 | (306,249,105) |
| **Total capital assets, being depreciated, net** | 227,262,283 | 1,675,737,582 | (4,591) | 1,902,995,274 |
| **Lease and subscription assets, being amortized** | | | | |
| Right to use lease asset | 158,285 | 309,513 | (22,560) | 445,238 |
| Subscription assets | 746,382 | 1,418,325 | | 2,164,707 |
| Total lease assets | 904,667 | 1,727,838 | (22,560) | 2,609,944 |
| **Less accumulated depreciation and amortization for:** | | | | |
| Right to use lease asset | (49,250) | (61,960) | 22,560 | (88,650) |
| Subscription assets | (114,697) | (304,078) | - | (418,775) |
| Total amortization | (163,947) | (366,039) | 22,560 | (507,425) |
| **Total lease and subscription assets, being amortized, net** | 740,720 | 1,361,799 | - | 2,102,519 |
| **TOTAL CAPITAL ASSETS** | **$ 2,209,789,126** | **$ 1,741,548,545** | **$ (1,745,101,498)** | **$ 2,206,236,172** |

| Capital assets, not being depreciated | January 1, 2022 | Increases | Decreases | December 31, 2022 |
|---|---|---|---|---|
| Land | $ 321,485,456 | $ 260,302 | $ (24,414,748) | $ 297,331,010 |
| Art | 13,140 | - | - | 13,140 |
| Construction in progress | 1,371,065,962 | 332,287,977 | (18,911,966) | 1,684,441,973 |
| Total capital assets, not being depreciated | 1,692,564,558 | 332,548,279 | (43,326,714) | 1,981,786,123 |
| **Capital assets, being depreciated** | | | | |
| Building and improvements | 463,682,060 | 395,247 | (125,601) | 463,951,706 |
| Other improvements | 12,318,454 | 121,635 | - | 12,440,089 |
| Machinery, equipment, furniture and fixtures | 15,716,885 | 11,673 | (632,690) | 15,095,868 |
| Intangibles | 443,776 | - | - | 443,776 |
| Total capital assets, being depreciated | 492,161,175 | 528,555 | (758,291) | 491,931,439 |
| **Less accumulated depreciation and amortization for:** | | | | |
| Buildings | (232,972,481) | (12,450,250) | 48,985 | (245,373,746) |
| Other improvements | (5,473,087) | (702,116) | - | (6,175,203) |
| Machinery, equipment, furniture and fixtures | (12,378,416) | (934,243) | 632,690 | (12,679,969) |
| Intangibles | (430,741) | (9,497) | - | (440,238) |
| Total accumulated depreciation and amortization | (251,254,725) | (14,096,106) | 681,675 | (264,669,156) |
| **Total capital assets, being depreciated, net** | 240,906,450 | (13,607,304) | (76,616) | 227,262,283 |
| **Lease and subscription assets, being amortized** | | | | |
| Right to use lease asset | 98,905 | 73,035 | (13,655) | 158,285 |
| Subscription assets | - | 746,382 | - | 746,382 |
| Total lease assets | 98,905 | 819,417 | (13,655) | 904,667 |
| **Less accumulated depreciation and amortization for:** | | | | |
| Right to use lease asset | (31,402) | (31,503) | 13,655 | (49,250) |
| Subscription assets | - | (114,697) | - | (114,697) |
| Total amortization | (31,402) | (146,200) | 13,655 | (163,947) |
| **Total lease and subscription assets, being amortized, net** | 67,503 | 673,217 | - | 740,720 |
| **TOTAL CAPITAL ASSETS** | **$ 1,933,538,511** | **$ 319,653,945** | **$ (43,403,330)** | **$ 2,209,789,126** |

**Amounts reported for 2022 were adjusted for the adoption of GASB 96, Subscription-Based Information Technology Arrangements (see Note 1)*

## NOTE 6 – NOTES AND BONDS PAYABLE

Activity for notes and bonds payable are as follows during the years ended December 31, 2023, and 2022 were as follows:

| Description | Maturity | Interest Rates | Balance December 31 2022 | Additions | Reductions & Amortization | Balance December 31 2023 | Amount Due Within One Year |
|---|---|---|---|---|---|---|---|
| Series 2010B Bonds | July 1, 2040 | 3.92% - 6.79% | $ 238,985,000 | $ - | $ (8,970,000) | $ 230,015,000 | $ 9,365,000 |
| King County CPS Note | June 30, 2049 | 4.25% | 141,010,940 | - | (92,720) | 140,918,220 | - |
| Series 2018 First Priority Bonds | July 1, 2058 | 5.00% | 382,635,000 | - | (385,000) | 382,250,000 | 420,000 |
| Series 2018 Subordinate Priority Bonds | June 30, 2058 | 1.00% - 4.25% | 152,315,000 | - | (435,000) | 151,880,000 | 455,000 |
| Washington State Deficiency Note #1 | June 30, 2030 | 3.495% | 11,773,790 | - | (1,300,951) | 10,472,839 | 1,301,275 |
| Washington State Deficiency Note #2 | June 30, 2031 | 3.495% | 3,900,290 | - | (376,241) | 3,524,049 | 374,109 |
| Washington State Deficiency Note #3 | June 30, 2032 | 3.495% | 13,186,361 | - | (1,124,273) | 12,062,088 | 1,111,208 |
| Washington State Deficiency Note #4 | June 30, 2033 | 4.619% | - | 4,201,455 | - | 4,201,455 | 340,026 |
| Series 2021A First Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 12,455,000 | - | - | 12,455,000 | - |
| Series 2021B First Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 243,815,000 | - | - | 243,815,000 | - |
| Series 2021A Subordinate Priority Bonds | July 1, 2035 | 3.0% - 5.0% | 9,785,000 | - | - | 9,785,000 | - |
| Series 2021B Subordinate Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 277,845,000 | - | - | 277,845,000 | - |
| Series 2021 Jr "Green" Bonds | July 5, 2040 | 4.00% | 341,500,000 | - | - | 341,500,000 | - |
| 2021 General Obligation Net Parking Revenue | December 1, 2031 | 2.16% - 2.87% | 20,000,000 | - | (1,000,000) | 19,000,000 | 1,461,538 |
| | | | 1,849,206,381 | 4,201,455 | (13,684,185) | 1,839,723,651 | 14,828,156 |
| Unamortized Bond Premiums | | | 74,882,044 | - | (4,909,308) | 69,972,736 | - |
| Total Bonds & Notes Payable | | | $ 1,924,088,425 | $ 4,201,455 | $ (18,593,493) | $ 1,909,696,387 | $ 14,828,156 |

| Description | Maturity | Interest Rates | Balance December 31 2021 | Additions | Reductions & Amortization | Balance December 31 2022 | Amount Due Within One Year |
|---|---|---|---|---|---|---|---|
| Series 2010B Bonds | July 1, 2040 | 3.92% - 6.79% | $ 247,575,000 | $ - | $ (8,590,000) | $ 238,985,000 | $ 8,970,000 |
| King County CPS Note | June 30, 2049 | 4.25% | 141,010,940 | - | - | 141,010,940 | - |
| Series 2018 First Priority Bonds | July 1, 2058 | 5.00% | 382,990,000 | - | (355,000) | 382,635,000 | 385,000 |
| Series 2018 Subordinate Priority Bonds | June 30, 2058 | 1.00% - 4.25% | 152,730,000 | - | (415,000) | 152,315,000 | 435,000 |
| Washington State Deficiency Note #1 | June 30, 2030 | 3.495% | 14,250,838 | - | (2,477,048) | 11,773,790 | 1,300,950 |
| Washington State Deficiency Note #2 | June 30, 2031 | 3.495% | 4,269,013 | - | (368,723) | 3,900,290 | 376,241 |
| Washington State Deficiency Note #3 | June 30, 2032 | 3.495% | - | 13,186,361 | - | 13,186,361 | 1,124,274 |
| Series 2021A First Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 12,455,000 | - | - | 12,455,000 | - |
| Series 2021B First Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 243,815,000 | - | - | 243,815,000 | - |
| Series 2021A Subordinate Priority Bonds | July 1, 2035 | 3.0% - 5.0% | 9,785,000 | - | - | 9,785,000 | - |
| Series 2021B Subordinate Priority Bonds | July 1, 2058 | 3.0% - 5.0% | 277,845,000 | - | - | 277,845,000 | - |
| Series 2021 Jr "Green" Bonds | July 5, 2040 | 4.00% | 341,500,000 | - | - | 341,500,000 | - |
| 2021 General Obligation Net Parking Revenue | December 1, 2031 | 2.16% - 2.87% | 20,000,000 | - | - | 20,000,000 | 1,000,000 |
| | | | 1,848,225,791 | 13,186,361 | (12,205,772) | 1,849,206,381 | 13,591,465 |
| Unamortized Bond Premiums | | | 81,210,824 | - | (6,328,780) | 74,882,044 | - |
| Total Bonds & Notes Payable | | | $ 1,929,436,615 | $ 13,186,361 | $ (18,534,551) | $ 1,924,088,425 | $ 13,591,465 |

Revenue bonds and notes payable debt service requirements to maturity are as follows as of December 31, 2023:

| Year | Notes Principal | Notes Interest | Bonds Payable Principal | Bonds Payable Interest | Less BABs Subsidy | Total |
|---|---|---|---|---|---|---|
| 2024 | $ 4,588,156 | $ 3,323,036 | $ 10,240,000 | $ 72,172,919 | $ (5,154,727) | $ 85,169,383 |
| 2025 | 5,509,469 | 7,724,269 | 10,710,000 | 71,493,285 | (4,944,854) | 90,492,170 |
| 2026 | 5,896,545 | 7,504,218 | 11,205,000 | 70,782,723 | (4,725,680) | 90,662,805 |
| 2027 | 6,306,717 | 7,265,990 | 11,805,000 | 70,039,714 | (4,496,870) | 90,920,551 |
| 2028 | 6,741,176 | 7,008,870 | 12,365,000 | 69,260,350 | (4,257,975) | 91,117,421 |
| 2029 - 2033 | 37,175,229 | 30,346,763 | 446,735,000 | 303,980,936 | (17,897,707) | 800,340,221 |
| 2034 - 2038 | 22,222,482 | 24,646,583 | 146,645,000 | 228,249,585 | (10,127,455) | 411,636,196 |
| 2039 - 2043 | 35,470,711 | 18,863,381 | 180,550,000 | 184,766,131 | (1,314,086) | 418,336,137 |
| 2044 - 2048 | 53,075,130 | 9,912,975 | 221,330,000 | 141,678,300 | - | 425,996,405 |
| 2049 - 2053 | 13,193,036 | 560,704 | 347,065,000 | 89,646,100 | - | 450,464,840 |
| 2054 - 2058 | - | - | 250,895,000 | 22,342,350 | - | 273,237,350 |
| Total | $ 190,178,651 | $ 117,156,789 | $ 1,649,545,000 | $ 1,324,412,392 | $ (52,919,353) | $ 3,228,373,479 |

### *2010 Build America Bonds*

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 of financing the transfer of the Washington State Convention Center from the state to the District, provide capital funds for renovations of the Convention center, and provide funds for a Common Reserve. 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. However, 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.

### *2018 Priority and Subordinate Lodging Tax Bonds*

In August 2018, the District issued bonds for the purchase price of $1,082,583,084, net of underwriter discount. The par amount for the aggregate issuance of the 2018 First Priority Bonds and 2018 Subordinate Priority Bonds was $1,003,595,000. The District issued revenue bonds to finance a portion of the Summit Building, an addition adjacent to the convention center located on an 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.

***2021 Jr "Green" Bonds***

The district issued lodging tax pledge revenue Jr "Green" Bonds subordinate to Priority and Subordinate lodging tax revenue bonds and payments required to the State of Washington. The issuance funded the final project cost for the Summit Building addition, capitalized ~18 months of debt service, and created a debt service reserve fund. Bond holders are in a similar position as the King County Purchase and Sale (CPS) note. This series of bonds are not rated and mature July 1, 2031 with a coupon of 4.0%. Debt covenants require the maintenance of a debt service reserve fund equal one interest payment.

**2021A|B First Priority Bonds and A|B Subordinate Priority Bonds**

In July 2021, the District issued $12,455,000 of 2021A First Priority bonds with a premium of $3,306,026, $243,815,000 of 2021B first priority bonds, $9,785,000 of 2021A Subordinate bonds with a premium of $2,332,873, and $277,845,000 of 2021B Subordinate priority bonds. The bonds were issued to refund and defease a portion of the 2018 Priority and Subordinate Lodging Tax Bonds. The transaction resulted in cash flow savings of $51.4 million, economic gain of $45.1 million, and a net loss for accounting purposes of $43.4 million, which is included in deferred outflows of resources and is being amortized over the remaining life of the bonds through July 2058.

**Notes Payable**

The District and King County Purchase and Sales Agreement for the Convention Place Station (CPS) property was finalized on 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; after 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 begins payment on a 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 District's affordable housing obligation. The note matures June 30, 2046, and has an interest rate of 4.25%.

***Additional Lodging Deficiency Loan***

District has the authority to use Additional Lodging Tax Revenue to meet monthly accrued principal and interest net of BABs subsidy on Priority and Subordinate 2010 BABs, 2018 Priority and Subordinate, and 2021 Priority and Subordinate bonds. In the event Regular and Extended lodging tax are insufficient to pay outstanding debt service the District will incur a deficiency loan to the State of Washington under RCW 36.100.040(5) and (6). The rate of interest on each deficiency loan shall be reset annually for each state fiscal year during which any Deficiency Loan is outstanding. The interest rate on any repayment deficiency loan applicable during a State of Washington fiscal year (which ends on June 30) shall be the average weekly 20 bond general obligation bond buyer index during the immediately preceding state fiscal year plus one percentage point, as determined by the Office of State Treasury Under the terms of the District's Transfer Agreement with the State of Washington, equal payments are due on June 30 over a ten-year term to repay the loan and are included in the debt service requirements to maturity schedule earlier in this note. The Deficiency Loan represent a variable rate debt obligation.

*Deficiency Loan Note #1 2020*

In June 2020, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of $14,250,838 at a rate of 3.4952%.

*Deficiency Loan Note #2 2021*

In June 2021, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of $4,269,013 at a rate of 3.4952%.

*Deficiency Loan Note #3 2022*

In June 2022, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of $13,186,360 at a rate of 3.4952%.

*Deficiency Loan Note #4 2023*

In June 2023, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of $4,201,454 at a rate of 4.6187%.

***2021 General Obligation Net Parking Revenues***

In December 2021, the District issued $20,000,000 general obligation net parking revenues note in a direct placement with JP Morgan. The funds are being used to purchase furnishing, fixtures, and equipment for the Summit Building additions. The term of the note is 10 years with interest between 2.16% to 2.87%.

## NOTE 7 – EMPLOYEE BENEFITS

### Defined Contribution Retirement Plans

The WSCC Retirement Plan was originally established on July 1, 1985, as a compensation deferral profit-sharing plan under the Internal Revenue Code 401. (See Resolution No. 151).

On October 1, 2005, the plan was amended to allow participant direction of the Employer Discretionary and Matching funds. (See Resolution No. 533).

On October 19, 2010, during the transition of the Washington State Convention Center nonprofit corporation to a public facilities district, the Board authorized the creation and operation of a 401(k) and 457 retirement savings plan for the benefit of employees. This created the successor plans: 1) the Washington State Convention Center Profit Sharing Plan (“the 401(a) Plan”), and 2) Washington State Convention Center 457 Government Deferred Compensation Plan (the “457 Plan”). These plans eventually became to be known as the WSCC Retirement Savings Plan and the WSCC Employee Retirement Contribution Plan. The plan administrator is Milliman, and the investment manager is RBC Wealth Management.

**401(a) – Compensation Deferral Plan**

All full-time employees are eligible for this plan after a year of service, except for 1) leased employees, 2) union employees, 3) non-resident aliens with no U.S. 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 $298,966 and $236,379 to the employee 401(a) plan during the years ended December 31, 2023, and 2022, respectively. The District contributes 5% 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% 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. For the 401(a) plan year ending June 30, 2022, there were $19 in forfeitures and for plan year ending June 30, 2023, there were $14,459.

**457 (b) Employee Retirement Contribution Plan**

All full-time employees are eligible for this plan upon hire, except for 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 or post-tax (Roth) contribution to be withheld from gross wages, with a minimum participation of 1% of compensation and a maximum of $22,500 or 100% of includible compensation, whichever is less. Employees ages 50 or older, or those within three years of retirement, may contribute an additional $7,500. Each employee directs how contributions are to be invested in either a pre-tax or post-tax (Roth) account 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% vested.

**Health and 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.

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 Foundation Health Plan of Washington, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, 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.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust 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 AWC 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 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 8 – LEASES**

**Lessee Agreements**

Effective January 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The District, as a Lessee, leases office equipment under multi-year lease agreements, generally no longer than five-year cancellable leases. The leases include provisions for cancellation and no right to purchase at the end of the lease. The District's right-to-use assets are included as capital assets and current liabilities on the Statement of Net Position.

Lease amortization expense was $63,907 and $31,896 for the years ended December 31, 2023 and 2022, respectively.

Lease Amortization Expenses for the year ended December 31, 2023, are:

| Lease expense | Year Ended December 31, 2023 |
|---|---|
| Amortization expense by class of underlying asset | |
| Copy Machine | $ 34,134 |
| Computer | 13,854 |
| Equipment | 13,473 |
| Scanner | 499 |
| Total amortization expense | 61,960 |
| Interest on lease liabilities | 1,947 |
| **Total** | $ 63,907 |

The amount of the leases by class of asset and related liabilities as of December 31, 2023, and December 31, 2022 respectively, are:

| Lease Assets | January 1, 2023 | Increases | Decreases | December 31, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Copy Machine | $ 85,251 | $ 177,845 | $ (22,560) | $ 240,535 | |
| Computer | 25,406 | 101,996 | - | 127,402 | |
| Equipment | 47,628 | 23,683 | - | 71,311 | |
| Scanner | - | 5,989 | - | 5,989 | |
| | 158,285 | 309,512.89 | (22,560) | 445,237 | |
| **Less: Accumulated Amortization** | | | | | |
| Copy Machine | (43,414) | (34,134) | 22,560 | (54,988) | |
| Computer | (5,042) | (13,854) | - | (18,897) | |
| Equipment | (794) | (13,473) | - | (14,267) | |
| Scanner | - | (499) | - | (499) | |
| | (49,250) | (61,960) | 22,560 | (88,650) | |
| **Total Lease Assets, net** | $ 109,035 | $ 247,552 | $ - | $ 356,587 | |
| **Lease Liabilities** | $ 6,597 | $ 308,286 | $ (110,281) | $ 204,602 | $ 97,047 |

| Lease Assets | January 1, 2022 | Increases | Decreases | December 31, 2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Copy Machine | $ 98,905 | $ - | $ (13,655) | $ 85,251 | |
| Computer | - | 25,406 | $ - | 25,406 | |
| Equipment | - | 47,628 | $ - | 47,628 | |
| | 98,905 | 73,034 | (13,655) | 158,285 | |
| **Less: Accumulated Amortization** | | | | | |
| Copy Machine | (31,402) | (25,667) | 13,655 | (43,414) | |
| Computer | - | (5,042) | - | (5,042) | |
| Equipment | - | (794) | - | (794) | |
| | (31,402) | (31,503) | 13,655 | (49,250) | |
| **Total Lease Assets, net** | $ 67,504 | $ 41,531 | $ - | $ 109,035 | |
| **Lease Liabilities** | $ 43,385 | $ 25,406 | $ (62,193) | $ 6,597 | $ 6,597 |

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

| Maturity Analysis | Principal | Interest | Total Payments |
|---|---|---|---|
| Year Ending 2024 | 97,047 | 3,501 | 100,548 |
| Year Ending 2025 | 50,441 | 2,113 | 52,554 |
| Year Ending 2026 | 28,833 | 1,288 | 30,121 |
| Year Ending 2027 | 20,581 | 597 | 21,178 |
| Year Ending 2028 | 7,700 | 60 | 7,760 |
| Total Future Payments | 204,602 | 7,559 | 212,161 |

## Lessor Agreements – Tenant Leasing Contracts

The District leases building space to various retail tenants. Lease contract terms will expire within one to five years for many of these tenants. It is not known whether options to extend terms will be exercised, but negotiations are ongoing with some retail tenants.

Total inflow of resources recognized in the year ended December 31, 2023, is:

| Lease-related Revenue | Year Ended December 31, 2023 |
|---|---|
| Lease Revenue | |
| Office Space | $ 14,968 |
| Retail Space | 374,983 |
| Equipment | 54,338 |
| Total Lease Revenue | 444,289 |
| Interest Revenue | 33,262 |
| Variable & Other Revenue | 351,170 |
| **Total** | $ 828,721 |

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

**Maturity Analysis**

| | Principal | Interest | Total Receipts |
|---|---|---|---|
| Year Ending 2024 | $ 376,016 | $ 63,643 | $ 439,659 |
| Year Ending 2025 | 285,247 | 55,369 | 340,616 |
| Year Ending 2026 | 247,916 | 47,284 | 295,199 |
| Year Ending 2027 | 209,307 | 39,461 | 248,768 |
| Year Ending 2028 | 158,878 | 32,394 | 191,272 |
| 5 Years Ending 2033 | 373,019 | 111,405 | 484,424 |
| 5 Years Ending 2038 | 280,880 | 44,750 | 325,630 |
| 5 Years Ending 2043 | 79,638 | 6,750 | 86,389 |
| Total Future Receipts | $ 2,010,901 | $ 401,056 | $ 2,411,957 |

## NOTE 9 – Subscription-Based IT Arrangements (SBITAs)

**(SBITA) Activity**

Effective January 1, 2022, the District adopted GASB Statement No. 96, Subscription-Based IT Arrangements (SBITA), as discussed in Note 1.

The District leases information technology hardware and software under noncancellable multi-year agreements, generally no longer than five-year leases. The subscriptions include provisions for cancellation and no right to purchase at the end.

The District's right to use assets are included as intangible capital assets and current liabilities on the Statement of Net Position.

Subscription amortization expense was $341,389 and $125,365 for the years ended December 31, 2023 and 2022, respectively.

| Lease expense | Year Ended December 31, 2023 |
|---|---|
| Amortization expense by class of underlying asset | |
| SBITA - GASB 96 | $ 304,078 |
| Total amortization expense | 304,078 |
| Interest on lease liabilities | 37,310 |
| Variable lease expense | 0 |
| **Total** | $ 341,389 |

The total amount of subscription assets, and the related accumulated amortization for the year ended December 31, 2023, and December 31, 2022, respectively, are:

| Subscription Lease Assets | Beginning of Year | Increases | Decreases | End of Year | Amounts Due Within One Year |
|---|---|---|---|---|---|
| SBITA - GASB 96 | $ 746,382 | $ 1,418,325 | $ - | $ 2,164,707 | |
| | 746,382 | 1,418,325 | - | 2,164,707 | |
| **Less: Accumulated Amortization** | | | | | |
| SBITA - GASB 96 | (114,697) | (304,078) | - | (418,775) | |
| | (114,697) | (304,078) | - | (418,775) | |
| **Total Subscription Lease Assets, net** | $ 631,685 | $ 1,114,247 | $ - | $ 1,745,932 | |
| **Subscription Lease Liabilities** | $ 591,369 | $ 1,275,019 | $ (154,284) | $ 1,712,104 | $ 403,753 |

| Subscription Lease Assets | Beginning of Year | Additions | Subtractions | End of Year | Amounts Due Within One Year |
|---|---|---|---|---|---|
| SBITA - GASB 96 | $ 287,519 | $ 458,863 | $ - | $ 746,382 | |
| | 287,519 | 458,863 | - | 746,382 | |
| **Less: Accumulated Amortization** | | | | | |
| SBITA - GASB 96 | - | (114,697) | - | (114,697) | |
| | - | (114,697) | - | (114,697) | |
| **Total Subscription Lease Assets, net** | $ 287,519 | $ 344,166 | $ - | $ 631,685 | |
| **Subscription Lease Liabilities** | $ 287,519 | $ 438,863 | $ (135,012) | $ 591,369 | $ 147,122 |

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

**Maturity Analysis**

| | Principal | Interest | Total Payments |
|---|---|---|---|
| Year Ending 2024 | $ 403,753 | $ 35,821 | $ 439,574 |
| Year Ending 2025 | 406,282 | 43,334 | 449,615 |
| Year Ending 2026 | 375,431 | 30,545 | 405,976 |
| Year Ending 2027 | 262,882 | 18,669 | 281,552 |
| Year Ending 2028 | 263,755 | 9,354 | 273,109 |
| Total Future Payments | $ 1,712,104 | $ 137,722 | $ 1,849,826 |

Variable payments, other than those payments that depend on an index or rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the subscription liabilities. During the fiscal year ended December 31, 2023, the District did not recognize variable and other SBITA payments not included in the measurement of the subscription liability.

As of December 31, 2023, the District does not have any SBITAs with payments due that have not yet commenced.

**NOTE 10 – RISK MANAGEMENT**

The District has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions. Claims, litigation, and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

**NOTE 11 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS & CONTINGENCIES**

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 have to make payment. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

The District is a defendant in a legal proceeding and claim. Although certain lawsuits and claims are significant in amount, the final disposition amounts are not determinable, and in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the District.

**Expansion Related Commitments**

In connection with the Summit Building addition, the District has entered various contracts for the property development, project management, architectural, engineering, and construction activities. The total remaining commitments under these agreements total approximately $30.3 million as of December 31, 2023, $4 million of which is for the Terry Promenade portion of the contract and will not be due until 2028. The District is planning to execute change orders and other reductions to the commitment in the amount of

$12.7 million which would reduce the total to $17.6 million. Also, $1.75 million of the total commitment is due for the project development fee and payment will be delayed to 2025.

Contracts for remaining public artwork at Summit to be completed and installed at Summit totaled approximately $900,000 as of December 31, 2023.

In addition, on December 31, 2023, the District had remaining commitments with vendors to purchase furniture and fixtures for the Summit Building for approximately $800,000. The funds for these purchases are being held in a restricted bank account until needed.

The District has also entered contracts for certain tenant improvement costs related to the Summit building retail space. The remaining commitments as of December 31, 2023, for these improvements were approximately $1 million dollars.

The District owns two parcels of land adjacent to the Summit building that will be sold in future years as a funding source to pay the related debt and continuing construction commitments. These assets are on the books at a total asset cost of approximately $25 million dollars. Additionally, lodging taxes will support any remaining Summit construction related costs.

**Arch Building Construction Agreements**

The District entered a contract engineering and certification services for an interior monorail system for the Arch building with remaining commitments of $419,000 as of December 31, 2023.

**WSDOT Agreements**

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, the leased airspace was appraised for $12,869,000. Additionally, it was determined 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. The agreement does not meet the definition of a lease under GASB 87 and, therefore, a right-of-use lease asset and lease liability is not recorded.

In July 2018, the District entered into a 66-year lease agreement with the WSDOT which expires June 30, 2084. The agreement allowed 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 2028. Annual lease payments are $475,000. Annual increases are based on CPI. Every fifteen years the payments are adjusted to reflect the current market rate. The agreement does not meet the definition of a lease under GASB 87 and, therefore, a right-of-use lease asset and lease liability is not recorded.

**Other Commitments**

The District has a contract with Visit Seattle, a 501 3(c) destination marketing organization, to market the convention center. The District has committed to pay Visit Seattle $10 million as part of the 2024 budget. These payments may be modified at the discretion of the Board. The funding for this commitment is provided by lodging tax revenues.