Washington State Convention Center Public Facilities District:

Independent Auditor's Report and Annual Financial Report

For Fiscal Years Ended December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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. 101, *Compensated Absences*, effective January 1, 2023. 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 16, 2025

Management's Discussion and Analysis (MD&A) For the Year Ending December 31, 2024

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 ending December 31, 2024. The MD&A focuses on significant financial issues, provides an overview of the District's financial activities and highlights operational changes in the District's financial position.

The accompanying 2024 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 a government agency of the State of Washington, and its activities were reported in the statewide 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 the District's policies and budgets. Three members of the Board are appointed by the Governor of the State; three members of the Board are nominated by the King 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, and one of the City's appointments must represent organized labor. Members of the Board serve four-year terms.

SERVICES THE DISTRICT OFFERS

The District operates a world-class convention center and its new $1.9 billion Summit addition opened in January 2023. The combined one-of-a-kind urban convention center campus is 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 sales of food and beverage at the facility, the sale and use of meeting and exhibition space, and the sale of services that support the use of that space, such as electricity, water/drain, audio/video, and telecommunications (together these services are referred to herein as "Facility Services" in the Statement of Revenues, Expenses and Changes in Net Position).

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 200 events in the fiscal year ending on December 31, 2024, drawing 425,663 attendees and generating more than 350,000 hotel room nights.

CONVENTION CENTER EVENTS

Year	Number of Events	Number of Attendees
2020	30	94,885
2021	28	65,166
2022	145	271,018
2023	160	352,728
2024	200	425,663

FINANCIAL HIGHLIGHTS

A. Net position decreased by approximately $38.5 million from 2023 to 2024 mainly due to cash used for the Summit addition construction project and an increase in accumulated depreciation.

B. Total operating revenues increased $11.6 million or 25% from 2023 to 2024 because of the convention center's additional capacity at the Summit building and continued improvement in the event industry post pandemic.

C. Nonoperating revenues and expenses, net decreased 19% to $30.9 million from $38.1 million from 2023 to 2024. Lodging tax revenues continued to improve post pandemic, up $10.9 million, and demand for leisure activities was strong.

D. Nonoperating interest and investment income decreased approximately $1.2 million or 23%. A high-interest rate environment allowed the District to earn positive returns on investments, however the continued spend of bond proceeds and debt repayments caused the reduction in this revenue stream.

OVERVIEW OF THE FINANCIAL STATEMENTS

The operations of the District are grouped into one business type or proprietary fund for financial reporting purposes. The District's accounting demonstrates legal compliance and financial management over transactions in compliance with GAAP (Generally Accepted Accounting Principles) and the Governmental Accounting Standards Board requirements.

USING THIS ANNUAL REPORT

This annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The report contains the three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position

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

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.

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 for the year. All revenues earned and expenses incurred during the years ended December 31, 2024, and 2023 are reported in this statement.

The District's operating revenues and expenses are the results of 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 at the Arch and Summit buildings. 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
December 31, 2024, 2023 and 2022
In Millions

		2024		2023 Restated*	Percentage Change		2022	Percentage Change
ASSETS								
Current and other assets	$	142.5	$	148.1	-3.8%	$	196.2	-24.5%
Capital assets		2,162.7		2,206.2	-2.0%		2,209.8	-0.2%
Total assets	$	2,305.2	$	2,354.3	-2.1%	$	2,406.0	-2.1%
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows	$	38.8	$	40.5	-4.3%	$	42.2	-4.1%
Total assets and deferred outflows	$	2,343.9	$	2,394.8	-2.1%	$	2,448.2	-2.2%
LIABILITIES								
Current liabilities	$	105.1	$	96.3	9.2%	$	101.5	-5.1%
Noncurrent liabilities		1,877.4		1,898.2	-1.1%		1,912.9	-0.8%
Total liabilities	$	1,982.5	$	1,994.5	-0.6%	$	2,014.4	-1.0%
DEFERRED INFLOW OF RESOURCES								
Leases	$	1.6	$	2.0	-18.4%	$	0.5	331.3%
Total liabilities and deferred inflows	$	1,984.1	$	1,996.5	-0.6%	$	2,014.9	-0.9%
NET POSITION								
Net investment in capital assets	$	337.4	$	342.7	-1.5%	$	329.3	4.1%
Restricted		6.1		13.9	-56.1%		19.4	-28.5%
Unrestricted		16.3		41.7	-61.0%		84.6	-50.7%
Total net position	$	359.8	$	398.3	-9.7%	$	433.3	-8.1%

**Amounts reported for 2023 were adjusted for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences.*

Current and other assets decreased 3.8% or $5.6 million in 2024 from 2023 due to the use of funds for the continuing construction of the Summit building, use of cash to support operations, and support for Visit Seattle, our contracted destination marketing organization. Current and other assets decreased approximately $48.1 million from 2022 to 2023 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, net of accumulated depreciation, decreased $43.5 million from 2023 to 2024 due mostly to the annual depreciation expense on the Summit building.

Deferred outflows decreased $1.7 million from 2023 to 2024 and $1.7 million from 2022 to 2023 due to the continued amortization of the deferred amount on refunding of the 2018 bonds.

FINANCIAL ANALYSIS (continued)

Current liabilities increased $8.9 million from 2023 to 2024 due to the increased liability for interest payable on debt. Current liabilities decreased $5.2 million from 2022 to 2023 due to a lower year-end draw on Summit related construction activities. Noncurrent liabilities decreased $20.8 million from 2023 to 2024 as principal payments were made on long term debt.

Deferred inflows for leases decreased by $400,000 as existing leases were amortized from 2023 to 2024 and $1.5 million from 2022 to 2023.

Net investment in capital assets decreased 1.5% by $5.3 million from 2023 to 2024 due to significant annual depreciation on the Summit building, as well as other capital asset additions and disposals and bond principal payments. Restricted net position decreased $7.8 million or 56.1% from 2023 to 2024 due to a reduction in the amount of committed funds to restricted debt service.

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, 2024, 2023 and 2022
in Millions

	2024	2023 Restated*	Percentage Change	2022	Percentage Change
OPERATING REVENUES					
Total operating revenues	$ 58.6	$ 47.1	25%	$ 26.5	78%
NONOPERATING REVENUES					
Total Nonoperating Revenues	$ 103.9	$ 99.4	4%	$ 133.6	-26%
Total revenues	$ 162.5	$ 146.5	11%	$ 160.1	-8%
OPERATING EXPENSES					
Depreciation and Amortization	52.9	49.7		14.2	
Operating Expenses	75.0	70.5		38.1	
Total operating expenses	$ 128.0	$ 120.2	6%	$ 52.3	130%
NONOPERATING EXPENSES					
Nonoperating Expenses	$ 73.0	61.3	19%	$ 69.3	-12%
Total expenses	$ 201.0	$ 181.5	11%	$ 121.6	49%
CHANGE IN NET POSITION	$ (38.5)	$ (35.0)	10%	$ 38.5	-191%
NET POSITION					
Beginning of Year	$ 398.3	$ 433.2	-8%	$ 394.8	10%
End of Year	$ 359.8	$ 398.3	-10%	$ 433.2	-8%

**Amounts reported for 2023 were adjusted for the adoption of GASB 101, Compensated Absences (see Note 1)*

Total operating revenues increased 25% from 2023 to 2024 and were driven by a continued return of activity at the District with 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 200 from 160. Operating lease revenues increased 6% as a result of new tenant spaces at Summit began being leased and occupied but offset by the loss of a tenant at the Arch building. A significant increase in operating revenue occurred between 2022 and 2023 (77%) because of the Summit building opening. We are seeing operating revenue transition to normal growth as both buildings are fully operational and the number of events continues to steadily rise.

Operating expenses increased 6% from 2023 to 2024 due to incremental increase in the number of events, leading to increased usage of salaries and wages, food service expenses, an increase in contribution to Visit Seattle, and the impact of the depreciation of the Summit building which was in service for a full fiscal year in 2024. To note, operating expenses increased 130% from 2022 to 2023 as the Convention Center positioned itself to support full operations and initiated depreciation of the Summit building which was placed in service in January 2023. Similarly, salaries and wages increased 78% from 2022 to 2023 as the District continued to bring back staff to support a busier event schedule. A continued recovery in lodging tax collections afforded the District to increase funding to Visit Seattle from $10 million to $10.6 million towards the latter part of 2024. Overall, net operating loss decreased $3.8 million from 2023 to 2024 due to incremental increases in operating expenses and depreciation, offset by larger recoveries of operating revenue.

Regular lodging tax (within the City of Seattle) increased 12% to $93.5 million and extended lodging tax (within King County boundaries) increased 13% to $6.4 million. 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 potentially impact the reduction of variability in ADR and occupancy rates by staggering events accordingly. 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 year over year.

Nonoperating interest and investment income decreased 23% from 2023 to 2024 due to lower cash and investment balances due to address the spend down of Summit construction and debt payments.

As part of the Summit addition, two neighboring land parcel foundational infrastructure pads were developed for a high-rise office tower and residential building. The residential pad disposition is planned when commercial real estate conditions improve. The $8.5 million loss on disposal of assets in 2023 was the result of disposals from the construction project for expenses not deemed capitalization eligible. In 2024, there was an additional loss driven by disposal of assets related to the Summit project of approximately $400,000.

Overall, nonoperating revenue decreased by $9.7 million from 2023 to 2024 primarily due to not receiving Washington State Legislative Aid. In 2022, there was a gain on disposal of assets of $44 million, which did not occur in 2023.

Overall, nonoperating expenses decreased by $2.5 million from 2023 to 2024, driven by decreased interest expense on the debt and a reduction of the loss on disposal of assets.

CAPITAL ASSETS

The following schedule is a summary of the District's investment in capital assets as of December 31, 2024, 2023, and 2022:

In Millions

	2024	2023	2022
Capital assets, not being depreciated	$ 302.4	$ 301.1	$ 1,981.8
Capital assets, being depreciated	2,218.2	2,211.9	492.8
Less accumulated depreciation and amortization:	(357.9)	(306.8)	(264.8)
Total capital assets, being depreciated, net	1,860.3	1,905.1	228.0
Total capital assets	$ 2,162.7	$ 2,206.2	$ 2,209.8

Capital assets decreased from 2023 to 2024 by approximately $43.5 million mostly due to an annual depreciation of $51 million offset by capital asset additions. Additional information regarding capital assets is provided in Note 5 to the financial statements. Future commitments for capital expenses are described in Note 12.

DEBT ADMINISTRATION

The District did not assume any new debt in 2024. The long-term debt note due to King County was amended in 2024, and a line of credit, a future interfund loan was approved but not yet utilized.

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

ECONOMIC FACTORS

In 2024, the U.S. economy remained resilient, with steady growth, easing inflation, and a strong labor market. Key highlights include:

- **GDP Growth**: The economy expanded at **2.7%** in Q3 2024 compared to the previous year, driven by consumer spending and rising incomes.
- **Inflation**: Inflation dropped significantly from **7.2% in June 2022 to 2.4% in November 2024**, easing cost-of-living pressures.
- **Job Market**: Employment remained strong, with an average of **160,000 jobs added per month** throughout the year.
- **Consumer Spending**: A key driver of economic growth, supported by wage increases and declining inflation.
- **Federal Reserve Policy**: Interest rates remained relatively high but stable, balancing inflation control and economic growth.

Overall, 2024 was a year of **moderate but stable economic growth** in the U.S., with declining inflation and a steady job market contributing to positive economic conditions.

In 2024, King County, Washington, experienced notable economic growth, characterized by a robust labor market, a dynamic housing sector, and a thriving technology industry. The unemployment rate in King County decreased to 3.0% in December 2024, down from 3.8% in November and 3.5% in December 2023. This decline was accompanied by a 1.7% expansion in the labor force, adding 23,218 participants over the year. The housing sector showed significant activity, with housing transactions increasing by 4% in 2024 and an anticipated 6% growth in 2025. However, housing affordability remained a concern, with approximately 73% of households not able to afford a median-priced home. Seattle's technology industry experienced a complex landscape marked by both challenges and growth opportunities. Despite employment challenges, Seattle's tech sector continued to attract significant investments. The industry generated an annual economic impact of $142.2 billion, supporting over 203,000 jobs, with a projected growth of 15% by 2028.

Overall, King County's economy in 2024 was marked by low unemployment, active housing market dynamics, and a strong technology sector, contributing to its robust economic performance.

Source: WA Employment Security; King County; and axios.com

Relevant statistics for King County are presented below:

Annual Growth	2023	2024	2025	2026	2027
Population	1.3%	1.1%	0.9%	0.9%	0.9%
Employment	0.8%	0.3%	0.7%	0.7%	0.7%
Personal income	6.4%	2.9%	6.5%	3.9%	4.3%
Inflation	5.9%	3.6%	3.5%	3.7%	3.9%
Taxable retail sales	2.5%	-0.6%	1.8%	1.8%	1.9%

Source: King County, WA Office of Economic and Financial Analysis, 4th Quarter 2024. 2023 – 2024 represent actual figures and 2025 - 2027 represents 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 developing revenue source.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District is currently in negotiations regarding its collective bargaining agreements with the Washington State Convention Center Public Facilities District Labor Council for 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, 2024 and December 31, 2023

	2024	2023 (Restated)*
Assets and Deferred Outlfows of Resources:		
Current Assets:		
Cash and cash equivalents	$ 61,227,990	$ 40,704,347
Restricted cash and cash equivalents	48,744,906	56,286,372
Unrestricted investments	1,008,203	21,417,563
Restricted investments	5,973,537	2,381,474
Receivables, net	1,375,299	5,090,186
Due from other governments	13,287,073	10,756,742
Lease and interest receivable	341,231	381,652
Prepayments and other	5,531,086	3,492,309
Total current assets	137,489,325	140,510,645
Noncurrent Assets:		
Unrestricted investments	-	988,868
Restricted investments	3,662,081	4,920,595
Lease receivable	1,339,527	1,634,885
Total noncurrent assets	5,001,609	7,544,348
Capital Assets:		
Land	296,359,669	296,359,669
Artwork	5,307,023	4,705,037
Construction in progress	683,947	73,675
Buildings and improvements	2,175,939,361	2,170,595,385
Machinery, equipment, furniture, fixtures	29,010,413	27,739,045
Other improvements	10,932,882	10,909,948
Right-to-use lease assets	541,143	445,237
Subscription assets	1,764,816	2,164,707
Accumulated depreciation	(357,852,220)	(306,756,531)
Total capital assets	2,162,687,033	2,206,236,172
Total assets	2,305,177,966	2,354,291,165
Deferred Outflows of Resources:		
Loss on refunding bonds	38,755,785	40,483,521
Total assets and deferred outflows	2,343,933,752	2,394,774,686
Liabilities and Deferred Inflows:		
Current liabilities:		
Accounts payable	1,685,843	1,941,824
Retainage payable from restricted assets	13,837,533	15,158,396
Salaries, benefits and taxes payable	1,173,029	1,143,666
Unearned revenue and deposits payable	4,421,966	6,385,027
Compensated absences	1,343,371	1,347,311
Due to other governments	22,953,890	22,210,012
Interest payable	39,463,094	30,733,929
Current portion of long term debt	15,430,475	14,828,156
Lease and subscription liability	339,523	500,800
Other current liabilities	2,004,920	1,120,698
Total current liabilities	102,653,643	95,369,820
Noncurrent liabilities:		
Unearned revenue and deposits payable	2,144,484	749,231
Compensated absences	335,843	149,701
Long-term debt, net	1,874,528,448	1,894,868,231
Due to other governments	1,939,440	1,943,437
Lease and subscription liability	892,362	1,415,906
Total noncurrent liabilities	1,879,840,578	1,899,126,507
Total liabilities	1,982,494,221	1,994,496,327
Deferred inflows of resources:		
Leases	1,620,186	1,986,442
Total liabilities and deferred inflows	1,984,114,408	1,996,482,768
Net Position:		
Net investment in capital assets, net of related debt	337,437,056	342,691,577
Restricted:		
Restricted for debt service	6,103,903	13,897,479
Restricted for operating reserve	16,278,384	41,702,862
Total net position	$ 359,819,344	$ 398,291,917

2023 was adjusted for the adoption of GASB No. 101, Compensated Absences.

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

Washington State Convention Center - Public Facility District
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ending December 31, 2024 and December 31, 2023

	2024	2023 (Restated)*
Operating Revenues:		
Building rent	$ 7,251,315	$ 6,681,166
Food service	38,263,518	25,138,818
Parking	4,065,026	3,662,434
Facility services	6,002,496	4,777,461
Retail leases	789,329	746,815
Other operating	2,236,982	6,051,129
Total operating revenues	58,608,665	47,057,823
Operating Expenses:		
Salaries and wages	15,013,127	13,363,004
Employee benefits	8,124,869	7,006,313
Professional and other services	7,255,321	6,739,572
Food service	22,095,402	15,325,676
Supplies	427,089	1,570,546
Utilities	5,203,766	4,476,666
Repair and maintenance	3,476,263	7,718,299
Depreciation and amortization	52,939,443	49,669,560
Other administrative	1,108,259	2,701,282
Visit Seattle, outside marketing	10,600,000	10,000,000
In-house marketing	1,739,413	1,618,520
Total operating expenses	127,982,953	120,189,438
Operating loss	(69,374,287)	(73,131,615)
Nonoperating Revenues (Expenses):		
Lodging tax - regular	93,491,443	83,365,806
Lodging tax - extended	6,393,572	5,649,629
Lease interest income	63,365	33,262
Interest and investment income	3,968,728	5,143,131
Interest expense	(75,062,981)	(72,700,232)
Build America Bonds subsidy	5,049,790	5,255,238
Gain (loss) on disposal of assets	(401,359)	(8,505,443)
Other nonoperating revenue, see note 1	668,010	20,000,000
Other nonoperating expense, see note 1	(3,268,854)	(105,342)
Total nonoperating revenues/(expenses)	30,901,714	38,136,048
Change in net position	(38,472,573)	(34,995,566)
Total Net Position:		
Beginning of year, as restated	398,291,917	433,287,484
End of year	$ 359,819,344	$ 398,291,917

**2023 was adjusted for the adoption of GASB No. 101, Compensated Absences.*

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

Washington State Convention Center Public Facilities District

Statement of Cash Flows

For the Years Ending December 31, 2024 and 2023

	2024	2023 (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 61,755,744	$ 45,954,411
Payments to suppliers	(51,576,638)	(58,458,663)
Payments to employees	(24,665,845)	(20,289,035)
Net cash used in operating activities	(14,486,739)	(32,793,287)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating portion of lodging taxes received	99,885,016	89,015,436
Taxes received to be paid to other governments, net	743,878	3,691,963
Portion of taxes paid to other governments	(2,534,328)	459,791
Other financing sources	-	20,000,000
Tax credits, unclaimed property and other	524,694	-
Insurance recoveries	143,315	-
Legal fees- nonoperating	(3,232,554)	-
Costs for other financing sources	(19,900)	(104,100)
Net cash provided by noncapital financing activities	95,510,121	113,063,090
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	4,201,455
Purchase of capital assets	(11,416,512)	(54,683,443)
Principal paid on capital debt	(14,828,155)	(13,684,185)
Lease interest income and expense, net	(347,947)	(312,187)
Interest paid on capital debt	(69,515,388)	(82,821,477)
Build America Bonds subsidy received	5,049,790	5,255,238
Net cash used in capital and related financing activities	(91,058,212)	(142,044,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,968,728	5,143,131
Change in fair value of investments, cash and cash equivalents	(1,547,613)	2,466,020
Purchases of investments	(68,357,017)	(148,300,691)
Investment fees noncapital	(16,400)	(1,242)
Proceeds from sales and maturities of investments	88,969,309	169,194,517
Net cash provided by investing activities	23,017,007	28,501,735
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,982,177	(33,273,061)
CASH AND CASH EQUIVALENTS		
Beginning of year	96,990,719	130,263,780
End of year	$ 109,972,896	$ 96,990,719

**2023 was adjusted for the adoption of GASB No. 101, Compensated Absences.*

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

Washington State Convention Center Public Facilities District

Statement of Cash Flows

For the Years Ending December 31, 2024 and 2023

	2024	2023 (Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH		
PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (69,374,287)	$ (73,131,615)
Adjustments to reconcile operating loss to net cash		
used in by operating activities		
Depreciation and amortization	52,939,443	49,229,322
Changes in operating assets and liabilities:		
Accounts receivable	3,714,887	(4,454,762)
Operating accounts payable	(255,982)	(7,255,780)
Prepayments	(2,038,777)	(2,586,933)
Salaries, benefits, and taxes payable	211,564	1,698,801
Unearned revenue and deposits payable	(567,808)	3,351,349
Other operating liabilities	884,222	356,329
Net cash used by operating activities	$ (14,486,739)	$ (32,793,288)
SCHEDULE OF NONCASH INVESTING, CAPITAL,		
NONCAPITAL, AND RELATED FINANCING ACTIVITIES		
Gain (loss) on fair value of investments	$ (146,970)	$ 2,466,020
Net (gain) on disposal of capital assets	$ 401,359	$ 8,505,443

**2023 was adjusted for the adoption of GASB No. 101, Compensated Absences.*

The notes to the basic 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, through 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 its activities are accounted for in the records of the District. The District is governed by a nine-member board of community members appointed equally 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 or fiscal year is the 12 month period ending 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 the liabilities of the state's corporation, except for the long-term debt, which was defeased with a bond refunding.

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 District's Board of Directors and approved by the full District Board of Directors. While the District's Board of Directors can recommend which art is displayed at any point in time, it does not direct the operation of the Art Foundation. The District is entitled to the assets of the Art Foundation only upon its dissolution. The Art Foundation has no employees. As such, District staff provides administrative support to the Art Foundation operations, including filing the annual tax return. The total assets are $1,440,379 ($1,189,400 in artwork and $250,979 in cash and investments) as of December 31, 2024. The Art Foundation had no liabilities as of December 31, 2024. Total revenues were $8,438 and total expenses were $6,151 for the year. There are no transactions between the two entities for the years ended December 31, 2024 and 2023. As such, the Art Foundation is not included in the District'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 revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal 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 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 to suppliers at year-end, but for which the District has not yet paid 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, facility services, 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 primary service 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 for 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 between 30% to 50% of the gross revenue generated by Edlen and they retain 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 shares revenue with the District of 20% to 50% commission depending on the service or rented equipment provided.

The composition of the Other Nonoperating Revenues and Other Nonoperating Expenses on the Statement of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2024, and December 31, 2023, is as follows:

Other Nonoperating Revenues and Expenses - Statement of Revenues, Expenses and Changes in Net Position:

Revenues	**2024**	**2023**
Washington State legislative aid	$ -	$ 20,000,000
Insurance recoveries	143,316	-
Tax credits - Inflation Reduction Act	524,694	-
Total other nonoperating revenues	$ 668,010	$ 20,000,000

Expenses	**2024**	**2023**
Costs-other financing sources and debt administration fees	$ (19,900)	$ (104,100)
Investment fees	(16,400)	(1,242)
Nonoperating legal fees	(3,232,554)	-
Total other nonoperating expenses	$ (3,268,854)	$ (105,342)

In 2023, the District received a one-time payment of $20 million in Washington State Legislative Aid to offset lost lodging tax revenue due to the pandemic.

Policy for Defining Cash and Cash Equivalents

It is the District's policy to invest temporary cash surpluses. Cash includes cash on hand or deposits in transit, cash in demand deposit bank accounts, and cash in management pools (e.g., the Local Government Investment Pool).

Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are resistant to 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 the District applies these restricted resources to debt service before using unrestricted funds. If there were insufficient restricted resources on hand for debt service, the District would compensate for any insufficiency with unrestricted funds.

In order to calculate the restricted net position and the unrestricted net position in the proprietary fund financial statements, assumptions must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Budgetary Information

Scope of Budget

The District adopts an annual operating budget by board action no later than December 31. In addition, it adopts capital improvement plan budgets for specific projects for a one-year period. The annual operating budget is developed and projected based on known and assumed factors depending on economic and market conditions. The Board adopts a reserve target, which management can utilize to fund spending variances.

Capital budget funding is carried forward into ensuing years 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 will be dedicated to fund approved capital improvement projects. Unspent funds will carry forward, but the capital improvement projects budget 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 $4,000,000 as of December 31, 2024. The reserves are gradually being replenished after the pandemic to reach the full required amount of approximately $17 million.

Amending the Budget

The District prepares and presents a monthly comparison of budgeted to actual amounts for the board. The District can propose to amend its operating budget if deemed necessary only through board action. Capital budgets are monitored throughout the length of the specific projects, and budgets are modified accordingly 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, 2024 and 2023, the District had $61,227,990 and $40,704,347, respectively, in unrestricted cash and cash equivalents. On December 31, 2024, and 2023, the District had $48,744,906 and $56,286,372, respectively, in restricted cash and cash equivalents.

Investments (see Note 4)

It is the policy of the District to invest all funds in accordance with governing federal, state and local statutes. The District adheres to the investment policy of the Washington State Investment Board, policy number 2.05.500, and the applicable state regulations. 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 considering risk constraints.

The District maintained current and noncurrent restricted investments with a trustee bank, which are presented on the Statement of Net Position as restricted investments in the amount of $9,635,618 and $7,302,069 as of December 31, 2024 and 2023, respectively. Current and noncurrent unrestricted investments are $1,008,203 and $22,406,431 as of December 31, 2024 and 2023, respectively. All investments are reported at fair value.

Receivables

Receivables consist of customer accounts receivable due for food and beverage and convention services provided as well as parking space rentals.

Due to/from Other Governments

Due from other governments is comprised of lodging taxes collected by the hotels and earned in last two months of the fiscal year but remitted to the District by the State of Washington Department of Revenue in the first two months of the following year, as well as BABs (Build America Bonds) subsidy payment due from the US Treasury. Due to other governments consists primarily of the portion of lodging tax funds payable to the State of Washington, City of Seattle, and King County, as required by King County ordinance, as well as the assessment due to the City of Seattle for the local improvement district related to the Seattle waterfront public improvements. The State of Washington's portion of lodging tax funds is repaid annually on June 30th with interest. Lodging tax funds due to the City of Seattle and King County are paid 30 days after the end of each calendar quarter.

Inventories

The District does not carry any significant inventory. It expenses operating supplies and small tools at the time of purchase.

Restricted Assets

The District restricts certain assets based on bond indenture covenants and contractual arrangements. The restrictions pertain to bond interest and principal accounts held by the District's trustee bank and retainage payable accounts.

Capital Assets (see Note 5)

Capital assets include land, buildings, building improvements, machinery and equipment, furniture and fixtures, right-to-use lease assets, subscription assets, artwork and construction in progress. Assets are capitalized when the initial cost is $15,000 or greater and have an estimated useful life of more than one year. All artwork is capitalized regardless of acquisition cost. Capital assets are recorded at historical cost.

Donated capital assets are recorded at acquisition value at the date of donation. 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 methodology. The following useful lives are used to record depreciation expense:

Assets	Years
Buildings	50
Building improvements	5 - 15
Heating, ventilation and air conditioning equipment	5 - 15
Furniture and fixtures	5 - 10
Communications equipment	7 - 10
Technology Equipment	3 - 7
Vehicles and all other equipment	5 - 10
Land, artwork, and construction in progress	Not depreciated

Leases (see Note 8)

Lessee

The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease capital 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 term of the lease. 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.

Lessor

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

At the commencement of a retail 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 measured 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 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.

The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide and proprietary fund financial statements. The District recognizes SBITA liabilities with an initial, individual value of $15,000 or more.

The SBITA asset is amortized using the straight-line method over its useful life.

The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided in the agreement, the District generally uses its incremental borrowing rate as the discount rate.

The deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Deferred Outflow of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflow of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will be recognized as an outflow of resources (expense) until such time. The District has a deferred outflow related to a prior year bond refunding.

Compensated Absences

The District compensates employees for vacation and sick leave. Vacation leave is accrued when earned and reduced when used. Vacation leave is payable upon resignation, retirement or death.

Vacation leave for administrative staff may be accumulated to a maximum of 240 hours. 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 any excess up to 96 hours payable at 25% of the value 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.

On January 1, 2023, the District implemented GASB Statement No. 101, *Compensated Absences*. The District began recognizing an expense and a liability for a portion of the unpaid employee sick leave at the as of end of the fiscal year. In 2023 an additional expense of $810,442 was recognized along with a corresponding liability. In 2024 the expense totaled $921,035 with the same amount booked as a liability.

The following table summarizes the account balances that changed due to the implementation of GASB 101 and other reclassifications from the prior year:

	2023 as previously reported	Restatement related to adoption of GASB 101	2023 as restated
Statement of Net Position			
Unrestricted	$42,513,304	$ (810,442)	$41,702,862
Salaries, Taxes and Benefits Payable	1,830,236	810,442	2,640,678
Total net position	399,102,359	(810,442)	398,291,917
Statement of Revenues, Expenses, and Changes in Net Position			
Salaries and Wages	12,655,670	707,334	13,363,004
Employee Benefits	6,903,205	103,108	7,006,313
Statement of Cash Flows			
Operating Loss	(72,885,121)	246,494*	(73,131,615)

* Includes a change for the implementation of GASB 101, ($810,442) as well as a change to the interest expense on the parking debt ($563,948) reclassified to nonoperating expense section

Unearned Revenue and Deposits Payable

The District collects certain payments 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.

NET POSITION CLASSIFICATION

Restricted and Unrestricted Net Position

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

Capital assets consist of land, buildings, building improvements, machinery and equipment, furniture and fixtures, artwork, *subscription-based information technology agreements*, right-to-use lease assets, 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 position includes 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).

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Management asserts there have been no material violations of finance-related or contractual provisions.

NOTE 3 – CASH DEPOSITS

The District's cash and cash equivalents are held in multiple financial institutions and are mostly 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.

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which approximates fair value, and is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The credit risk of the LGIP is limited as most investments are either obligations of the U.S. government and its agencies, supranational institutions, and government sponsored corporations, or demand deposits and certificates of deposit with qualified public depositories. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The 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 not rated and is disclosed in the financial statements as a cash equivalent.

The Office of the State Treasurer prepares a stand-alone financial report for the investment pool. A copy of the report, including the report of the independent auditors, is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

As of December 31, 2024, and 2023, cash and cash equivalents include:

Financial Institution	2024	2023
U.S. Bank	$ 56,259,575	$ 64,705,585
Local Government Investment Pool (LGIP)	53,713,322	32,285,134
Total	$ 109,972,897	$ 96,990,719

The District acts as treasurer for lodging tax receipts from the Washington State Department of Revenue for the City of Seattle, King County and State of Washington. The respective balances due to these other governments, included in the above cash balances on December 31, 2024, were: $2,770,975, $1,987,107 and $16,678,980 compared to $2,701,747, $1,792,513, and $15,707,372 as of December 31, 2023. These funds are classified as unrestricted cash and cash equivalents in the statement of net position. The balances are remitted quarterly to the City of Seattle and King County and annually on June 30 to the State of Washington. On July 1, 2029, the District will cease collecting the additional lodging tax on behalf of the state.

NOTE 4 – INVESTMENTS

It is the District's policy to invest all temporary cash surpluses. Investments are subject to various risks.

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of the investments.

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 adheres to all state regulations.

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 required by statute.

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 party. To mitigate this risk, the District ensures that investments are held in safekeeping at a qualified financial institution in the District's name.

In accordance with the District's investment policy and Washington State law, authorized investments include US treasury notes and bills, U.S. agency securities, obligations of supranational agencies, bonds of Washington State and any local government in Washington State, short term commercial paper with the highest rating (subject to a maximum of 3% of the total portfolio at the time of purchase) and corporate notes rated AA or better purchased on the secondary market with a maturity of less than 3 years.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1 inputs are quoted prices in active markets for identical assets. These valuation inputs are considered most reliable.

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

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

The District has the following recurring fair value measurements as of December 31, 2024 (in thousands):

		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	$ 8,131	$ 5,974	$ 2,157	76.39%	AAA/AA+/A-1+	Aaa/P-1
Level 2						
Agency Bonds	1,505		1,505	14.14%	AA+	Aaa
Corporate	1,008	1,008		9.47%	A+/A	A1
Total	$ 10,644	$ 6,982	$ 3,662	100%		
Percentage of total portfolio		65.6%	34.4%	100%		

U.S. Government Treasury investments of $8,131,000 are valued using quoted process in an active market for identical assets (Level 1 inputs). Agency bonds and corporate securities of $2,513,000 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.

As of December 31, 2023, the District had the following investments measured at fair value (in thousands):

		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	$ 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%		

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2024, and December 31, 2023, was as follows:

Capital assets, not depreciating	January 1, 2024	Increases	Decreases	December 31, 2024
Land	$ 296,359,669	$ -	$ -	$ 296,359,669
Artwork	4,705,037	601,987	-	5,307,023
Construction in progress	73,675	3,071,061	(2,460,789)	683,947
Total capital assets, not depreciating	301,138,381	3,673,047	(2,460,789)	302,350,640
Capital assets, being depreciated or amortized				
Building and improvements	2,170,595,385	7,501,420	(2,157,444)	2,175,939,361
Other improvements	10,909,948	136,860	(113,926)	10,932,882
Machinery, equipment, furniture, fixtures	27,739,045	1,563,755	(292,387)	29,010,413
Right-to-use lease assets	445,237	117,564	(21,658)	541,143
Subscription assets	2,164,707	36,191	(436,082)	1,764,816
Total capital assets, depreciating	2,211,854,322	9,355,790	(3,021,497)	2,218,188,614
Less accumulated depreciation and amortization for:				
Building and improvements	(288,275,749)	(49,117,212)	1,246,167	(336,146,794)
Other improvements	(4,962,877)	(687,156)	113,926	(5,536,107)
Machinery, equipment, furniture, fixtures	(13,010,479)	(2,454,086)	277,897	(15,186,669)
Right-to-use lease assets	(88,650)	(197,122)	21,658	(264,114)
Subscription assets	(418,775)	(483,867)	184,106	(718,536)
Total accumulated depreciation and amortization	(306,756,530)	(52,939,443)	1,843,753	(357,852,220)
Total capital assets, being depreciated or amortized, net	1,905,097,791	(43,583,653)	(1,177,744)	1,860,336,394
TOTAL CAPITAL ASSETS	**$ 2,206,236,172**	**$ (39,910,606)**	**$ (3,638,533)**	**$ 2,162,687,033**

Capital assets, not depreciating	January 1, 2023	Increases	Decreases	December 31, 2023
Land	$ 297,331,010	$ -	$ (971,341)	$ 296,359,669
Artwork	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 depreciating	1,981,786,123	64,449,164	(1,745,096,907)	301,138,381
Capital assets, being depreciated or amortized				
Building and improvements	463,951,706	1,709,520,800	(2,877,120)	2,170,595,385
Other improvements	12,440,089	492,225	(2,022,365)	10,909,948
Machinery, equipment, furniture, fixtures	15,095,868	14,913,556	(2,270,379)	27,739,045
Software	443,776	114,394	(558,170)	-
Right-to-use lease assets	158,285	309,513	(22,560)	445,237
Subscription assets	746,382	1,418,325	-	2,164,707
Total capital assets, depreciating	492,836,105	1,726,768,813	(7,750,595)	2,211,854,322
Less accumulated depreciation and amortization for:				
Building and improvements	(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, fixtures	(12,679,969)	(2,599,385)	2,268,874	(13,010,479)
Software	(440,238)	(117,932)	558,170	-
Right-to-use lease assets	(49,250)	(61,960)	22,560	(88,650)
Subscription assets	(114,697)	(304,078)	-	(418,775)
Total accumulated depreciation and amortization	(264,833,102)	(49,669,432)	7,746,004	(306,756,531)
Total capital assets, being depreciated or amortized, net	228,003,003	1,675,737,582	(4,591)	1,905,097,790
TOTAL CAPITAL ASSETS	**$ 2,209,789,126**	**$ 1,740,186,746**	**$ (1,745,101,498)**	**$ 2,206,236,172**

NOTE 6 – NOTES AND BONDS PAYABLE

Notes and bonds payable outstanding are as follows during the years ended December 31, 2024, and 2023 were as follows:

Description	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Balance December 31, 2024	Amount of Installment
Series 2010B Bonds	July 1, 2010	July 1, 2040	3.92% - 6.79%	$ 314,652,701	$ 220,650,000	$ 9,780,000
King County CPS Note	July 25, 2017	June 30, 2056	4.25%	141,010,940	140,918,220	-
Series 2018 First Priority Bonds	August 9, 2018	July 1, 2058	5.00%	598,790,000	381,830,000	455,000
Series 2018 Subordinate Priority Bonds	August 9, 2018	July 1, 2058	4.00% - 5.00%	404,805,000	151,425,000	475,000
Washington State Deficiency Note #1	June 30, 2020	June 30, 2030	4.619%	14,250,838	9,171,564	1,357,328
Washington State Deficiency Note #2	June 30, 2021	June 30, 2031	4.619%	4,269,013	3,149,940	389,981
Washington State Deficiency Note #3	June 30, 2022	June 30, 2032	4.619%	13,186,360	10,950,880	1,157,625
Washington State Deficiency Note #4	June 30, 2023	June 30, 2033	4.619%	4,201,455	3,861,429	354,003
Series 2021A First Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	12,455,000	12,455,000	-
Series 2021B First Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	243,815,000	243,815,000	-
Series 2021A Subordinate Priority Bonds	July 1, 2021	July 1, 2035	3.0% - 5.0%	9,785,000	9,785,000	-
Series 2021B Subordinate Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	277,845,000	277,845,000	-
Series 2021 Jr "Green" Notes	April 14, 2021	July 1, 2035	4.00%	341,500,000	341,500,000	-
2021 General Obligation Net Parking Revenue	December 22, 2021	December 1, 2031	2.336% - 2.944%	20,000,000	17,538,462	1,461,538
				2,400,566,307	1,824,895,495	15,430,475
Unamortized Bond Premiums				83,052,846	65,063,428	4,909,308
Total Bonds & Notes Payable				$ 2,483,619,153	$ 1,889,958,923	$ 20,339,783

Description	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Balance December 31, 2023	Amount of Installment
Series 2010B Bonds	July 1, 2010	July 1, 2040	3.92% - 6.79%	$ 314,652,701	$ 230,015,000	$ 9,365,000
King County CPS Note	July 25, 2017	June 30, 2056	4.25%	141,010,940	140,918,220	-
Series 2018 First Priority Bonds	August 9, 2018	July 1, 2058	5.00%	598,790,000	382,250,000	420,000
Series 2018 Subordinate Priority Bonds	August 9, 2018	June 30, 2058	1.00% - 4.25%	404,805,000	151,880,000	455,000
Washington State Deficiency Note #1	June 30, 2020	June 30, 2030	3.495%	14,250,838	10,472,839	1,301,275
Washington State Deficiency Note #2	June 30, 2021	June 30, 2031	3.495%	4,269,013	3,524,049	374,109
Washington State Deficiency Note #3	June 30, 2022	June 30, 2032	3.495%	13,186,360	12,062,088	1,111,208
Washington State Deficiency Note #4	June 30, 2023	June 30, 2033	4.619%	4,201,455	4,201,455	340,026
Series 2021A First Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	12,455,000	12,455,000	-
Series 2021B First Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	243,815,000	243,815,000	-
Series 2021A Subordinate Priority Bonds	July 1, 2021	July 1, 2035	3.0% - 5.0%	9,785,000	9,785,000	-
Series 2021B Subordinate Priority Bonds	July 1, 2021	July 1, 2058	3.0% - 5.0%	277,845,000	277,845,000	-
Series 2021 Jr "Green" Notes	April 14, 2021	July 1, 2035	4.00%	341,500,000	341,500,000	-
2021 General Obligation Net Parking Revenue	December 22, 2021	December 1, 2031	2.16% - 2.87%	20,000,000	19,000,000	1,461,538
				2,400,566,307	1,839,723,651	14,828,156
Unamortized Bond Premiums				83,052,846	69,972,736	4,909,308
Total Bonds & Notes Payable				$ 2,483,619,153	$ 1,909,696,387	$ 19,737,464

Revenue bonds and notes payable debt service requirements to maturity are as follows as of December 31, 2024:

	Notes		Bonds Payable		Less BABs	
Year	Principal	Interest	Principal	Interest	Subsidy	Total
2025	$ 3,258,937	$ 16,354,538	$ 12,171,538	$ 58,315,300	$ (4,944,854)	$ 85,155,460
2026	3,413,317	16,200,159	12,666,538	57,568,785	(4,725,680)	85,123,118
2027	3,575,009	16,038,466	13,266,538	56,788,653	(4,496,870)	85,171,796
2028	3,744,360	15,869,115	13,826,538	55,971,289	(4,257,975)	85,153,327
2029	3,921,735	15,691,741	14,251,538	55,116,799	(4,008,435)	84,973,377
2030 - 2034	355,578,733	53,416,316	129,300,772	257,438,133	(16,631,396)	779,102,557
2035 - 2039	16,137,100	35,462,233	162,010,000	220,249,934	(8,255,129)	425,604,137
2040 - 2044	28,233,543	31,066,584	191,285,000	176,996,341	(444,287)	427,137,181
2045 - 2049	41,913,387	23,844,071	233,825,000	132,193,950	-	431,776,408
2050 - 2054	54,858,878	14,077,805	359,525,000	75,567,800	-	504,029,483
2055 - 2058	31,365,597	2,023,693	173,215,000	12,996,200	-	219,600,490
Total	$ 546,000,596	$ 240,044,720	$ 1,315,343,462	$ 1,159,203,182	$ (47,764,626)	$ 3,212,827,334

The difference between the principal owed on December 31, 2024, in the first table and the debt service requirements to maturity for principal shown above is explained below in the notes payable for the King County CPS section.

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” (BABs). 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” Notes

The District issued lodging tax pledge revenue Jr “Green” Notes 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 interest payments, and created a debt service reserve fund of $6,830,000. Note holders are in a similar position as the King County Purchase and Sale (CPS) note. This series of notes 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 – King County CPS Note

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%.

This note was restructured in 2024 with new terms as follows: District has made payments of $1,410,109 for the accrued interest in accordance with the promissory note on June 30 of 2019, 2020, 2021, 2022, 2023 and 2024. For payments beyond those years, District and King County have agreed on continuing the payment amount of $1,410,109 for 7 more annual payments with accrued interest of 4.25% beyond the payment amount added to principal. The restructured note matures on June 30, 2056. The amount of the additional principal that will be added to this note is $36.45 million.

Additional Lodging Tax Deficiency Loans

The 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 ending June 30 shall be the average weekly general obligation bond buyer 20 index during the immediately preceding state fiscal year plus one percentage point, as determined by the Office of State Treasurer 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.

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 an initial rate of 3.6927%. The interest rate for the June 30, 2024, payment was 4.619%; the interest rate for the June 30, 2025, payment is 4.737%.

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 an initial rate of 3.2146%. The interest rate for the June 30, 2024, payment was 4.619%; the interest rate for the June 30, 2025, payment is 4.737%.

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 an initial rate of 3.4952%. The interest rate for the June 30, 2024, payment was 4.619%; the interest rate for the June 30, 2025, payment is 4.737%.

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 an initial rate of 4.6187%. The interest rate for the June 30, 2024, payment was 4.619%; the interest rate for the June 30, 2025, payment is 4.737%.

2021 General Obligation Bond – Net Parking Revenues

In December 2021, the District issued $20,000,000 general obligation net parking revenue bond in a direct (private) placement with JP Morgan. The funds are being used to purchase furnishing, fixtures, and equipment for the Summit building. The term of the bond is 10 years with interest between 2.16% to 2.87%. The parking bond can be prepaid on or after June 1, 2028, and has a final maturity date of December 1, 2031. Debt service reserve requirements are $2,000,000 and are maintained in a restricted trust in accordance with bond covenants. An arbitrage penalty is expected to start accruing in 2025; however, the amount of the penalty does not appear to be significant.

Cash Pool / Interfund Loan from King County

For liquidity purposes, including addressing the seasonality of lodging tax receipts, the District may borrow from the County through the County Investment Pool effective March 2025. The principal amount outstanding at any time shall not exceed $20,000,000. The outstanding principal shall bear interest at the County's gross pool rate of 4.36% paid monthly on the amount of principal outstanding. Principal is payable as approved by the County's Executive Finance Committee with a term not to exceed seven years. There is currently no outstanding principal amount. In March 2025, the District made an initial deposit to open the account of $20,000.

Restricted Assets for Debt Service

As of December 31, 2024, the District has $34,917,412 in restricted assets with the trustee to service the upcoming debt payments for the 2018 first priority and the 2018 subordinate bonds.

Restricted assets contain a minimum required $8,830,000 in reserve funds as required by bond indentures for the 2021 junior notes and the 2021 general obligation parking bonds.

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.

On October 1, 2005, the plan was amended to allow participant direction of the Employer Discretionary and Matching funds.

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 $397,029 and $298,966 to the employee 401(a) plan during the years ended December 31, 2024, and 2023, respectively. The District contributes 5% based on the employee's compensation and generally matches 50% of employee contributions to the employee retirement plan up to 6% of the employee's wages.

Vesting in the employer contributions in the retirement savings plan 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 noneligible employees are netted against plan expenses. For the 401(a) plan year ending June 30, 2023, there were $14,459 in forfeitures and for plan year ending June 30, 2024, there were $12,445.

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 $23,500 or 100% of includible compensation, whichever is less. Employees aged 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.

As of December 31, 2024, 268 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data to receive a quote for medical coverage. Outside of this, 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 and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of $2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical 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 AWC Trust 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 AWC Trust HCP also follows applicable accounting standards established by the GASB. In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 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 lease assets are included as capital assets and current liabilities on the Statement of Net Position.

Lease amortization expense was $197,122 and $61,960 for the years ended December 31, 2024, and 2023, respectively.

The amount of the leases by class of asset and related liabilities as of December 31, 2024, and December 31, 2023, respectively, are:

Lease Assets	January 1, 2024	Increases	Decreases	December 31, 2024	Amounts Due Within One Year
Copy Machine	$ 240,535	$ 25,657	$ (16,659)	$ 249,533	
Computer	127,402	91,907	(5,000)	214,310	
Equipment	71,311	-	-	71,311	
Scanner	5,989	-	-	5,989	
	445,238	117,564	(21,658)	541,143	
Less: Accumulated Amortization					
Copy Machine	(54,988)	(86,010)	16,659	(124,339)	
Computer	(18,897)	(95,652)	5,000	(109,549)	
Equipment	(14,267)	(14,262)	-	(28,529)	
Scanner	(499)	(1,198)	-	(1,697)	
	(88,650)	(197,122)	21,658	(264,114)	
Total Lease Assets, net	$ 356,587	$ (79,558)	$ -	$ 277,030	
Lease Liabilities	$ 204,602	$ 77,625	$ (117,819)	$ 164,409	$ 70,680

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

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

	Principal	Interest	Total Payments
2025	$ 70,680	$ 4,111	$ 74,790
2026	49,818	2,540	52,358
2027	28,405	1,076	29,480
2028	14,116	252	14,368
2029	1,390	8	1,399
Total	$164,409	$ 7,986	$ 172,395

Lessor Agreements – Tenant Lease 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, 2024, and 2023, are:

Lease-related Revenue	Year Ending December 31, 2024
Lease Revenue	
Retail Space	$ 433,588
Equipment	47,670
Total Lease Revenue	481,258
Interest Revenue	63,365
Variable & Other Revenue	308,071
Total	$ 852,694

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, 2024, future lease receivable principal and interest payments are as follows:

Maturity Analysis		Principal		Interest		Total Receipts
2025	$	336,316	$	55,022	$	391,338
2026		246,547		46,870		293,417
2027		200,566		39,352		239,917
2028		158,878		32,394		191,272
2029		73,206		28,200		101,406
2030 - 2034		355,338		97,209		452,547
2035 - 2039		243,061		33,573		276,635
2040 - 2044		61,932		3,923		65,855
Total Future Receipts	$	1,675,843	$	336,544	$	2,012,387

NOTE 9 – *Subscription-Based Information Technology Arrangements* (SBITAs)

<u>(SBITA) Activity</u>

Effective January 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology 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 subscriptions assets are intangible capital assets and current liabilities on the Statement of Net Position.

Subscription amortization expense was $483,867 and $304,078 for the years ended December 31, 2024, and 2023, are as follows:

SBITA expense	**Year Ending December 31, 2024**
Amortization expense by class of underlying asset	
SBITA	$ 483,867
Total amortization expense	483,867
Interest on lease liabilities	43,161
Total	$ 527,028

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

The total amount of subscription assets, and the related accumulated amortization for the year ended December 31, 2024, and December 31, 2023, are:

Subscription Lease Assets	**January 1, 2024**	**Increases**	**Decreases**	**December 31, 2024**	**Amounts Due Within One Year**
SBITA	$ 2,164,707	$ 36,191	$ (436,082)	$ 1,764,816	
	2,164,707	36,191	(436,082)	1,764,816	
Less: Accumulated Amortization					
SBITA	(418,775)	(483,867)	184,106	(718,536)	
	(418,775)	(483,867)	184,106	(718,536)	
Total Subsription Lease Assets, net	$ 1,745,932	$ (447,676)	$ (251,976)	$ 1,046,279	
Subscription Lease Liabilities	$ 1,712,104	$ -	$ (644,628)	$ 1,067,476	$ 268,843

Subscription Lease Assets	**January 1, 2023**	**Increases**	**Decreases**	**December 31, 2023**	**Amounts Due Within One Year**
SBITA	$ 746,382	$ 1,418,325	$ -	$ 2,164,707	
	746,382	1,418,325	-	2,164,707	
Less: Accumulated Amortization					
SBITA	(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

As of December 31, 2024, the principal and interest requirements for SBITAs to maturity are as follows:

	Principal	Interest	Total Payments
2025	$ 268,843	$ 37,714	$ 306,557
2026	262,419	28,220	290,639
2027	264,022	19,003	283,025
2028	272,193	9,648	281,841
Total	$ 1,067,476	$ 94,585	$ 1,162,061

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, 2024, the District did not recognize variable and other SBITA payments not included in the measurement of the subscription liability.

As of December 31, 2024, the District does not have any SBITAs with payments due that have not yet commenced.

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024	Amount Due Within One Year
Bonds Payable:	$ 1,327,045,000	$ -	$ (11,701,538)	$ 1,315,343,462	$ 12,171,538
Premiums	69,972,736	-	(4,909,308)	65,063,428	4,909,308
Total bonds payable	1,397,017,736	-	(16,610,846)	1,380,406,890	17,080,846
City of Seattle Waterfront Local Improvement District(LID)	1,943,437	-	(3,997)	1,939,440	-
Debt from direct borrowings	512,678,651	-	(3,126,618)	509,552,033	3,258,937
Unearned revenue and deposits payable	7,134,259	-	(567,808)	6,566,451	4,471,170
Leases	204,602	-	(40,194)	164,409	70,680
SBITA	1,712,104	-	(644,628)	1,067,476	268,843
Compensated absences	1,497,012	182,202	-	1,679,214	1,343,371
Long-term liabilities	$ 1,922,187,802	$ 182,202	$ (20,994,090)	$ 1,901,375,913	$ 26,493,847

	Beginning Balance 01/01/2023	Additions	Reductions	Ending Balance 12/31/2023	Amount Due Within One Year
Bonds Payable:	$ 1,337,835,000	$ -	$ (10,790,000)	$ 1,327,045,000	$ 11,701,538
Premiums	74,882,044	-	(4,909,308)	69,972,736	4,909,308
Total bonds payable	1,412,717,044	-	(15,699,308)	1,397,017,736	16,610,846
City of Seattle Waterfront Local Improvement District(LID)	1,943,437	-	-	1,943,437	3,997
Debt from direct borrowings	511,371,381	4,201,455	(2,894,185)	512,678,651	3,126,618
Deposits Payable	3,782,910	3,351,349	-	7,134,259	6,385,027
Leases	6,597	198,005	-	204,602	40,194
SBITA	591,369	1,275,019	(154,284)	1,712,104	403,753
Compensated absences	250,111	1,246,900	-	1,497,012	1,347,311
Long-term liabilities	$ 1,930,662,850	$ 10,272,728	$ (18,747,777)	$ 1,922,187,802	$ 27,917,746

NOTE 11 – 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 12 – 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 related to the construction of the Summit building. Although the lawsuit and claims are significant in amount, the final disposition amounts are not determinable. The District is incurring significant legal fees associated with the trial. The District is pursuing potential insurance recovery for this litigation.

<u>Expansion Related Commitments – Addition Project</u>

In connection with the Summit building, 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 $3 million as of December 31, 2024. $2 million of the total commitment fee is due for the project development fee, and $1.75 million of the balance due was paid in March 2025.

Contracts for remaining public artwork to be completed and installed at Summit totaled approximately $250,000 as of December 31, 2024.

A separate $4 million commitment remains for the Terry Promenade portion of the contract and will not be completed until at least 2028. This work will be completed by the City of Seattle Department of Transportation and billed to the District. Additionally, a separate project of $500,000 for Olive Way Improvements has been committed to but not completed. The City of Seattle will also be completing this project and billing the District. Estimated time frame for that project is no earlier than 2027.

In addition, on December 31, 2024, the District had remaining commitments with vendors to purchase furniture and fixtures for the Summit Building for approximately $600,000. The funds for these purchases are being held in a restricted bank account until spent.

The District has also executed contracts for post construction project work, "Day 2 work", on the Summit location, total remaining commitment for that contract is approximately $544,000 as of December 31, 2024.

The District owns two parcels of land adjacent to the Summit building that management currently plans to sell in future years as a funding source to fund construction or pay down the construction related debt. These assets are on the books at a total cost of approximately $25 million dollars. There is no projected sales price currently, nor are there any executed purchase and sale agreements.

<u>Arch Building Agreements</u>

The District has a contract for engineering and certification services for an interior monorail system for the Arch building with remaining commitments of $333,690 as of December 31, 2024.

<u>Significant Vendor Service Contracts</u>

The District has executed a long-term service contract for elevator and escalator repairs and maintenance.

The value of the contract for the Arch Building ending December 31, 2029, is approximately $3,960,000. The value of the contract for the Summit Building is approximately $4,550,000 and ends in February 2029 and includes a five-year option to extend.

<u>WSDOT Leases – Airspace</u>

On February 4, 1986, WSCC (now the District) entered a 66-year lease agreement with the Washington State Department of Transportation (WSDOT). WSDOT has assigned the remainder of the lease to the District. Under this agreement, the WSCC leases airspace and other real property for the Arch location. The contract requires that the District bear the cost to maintain the lighting, utilities and similar equipment serving the reserved property.

The contract states that the rent cannot increase by more than 30% for any review period. 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 for highway and maintenance improvements were valued at $5,631,358. The payment of rent by the District may be satisfied by monetary payments or by rental credits. After the first 15 years of the lease, and every 10 years thereafter, the lease must be reviewed. In 2013, the lease agreement was audited and based on the determination of the appraised value in 2014, the Department of Transportation and the District agreed that the value of the rent credits more than offset annual rent.

In 2023, the lease agreement was audited as required by the terms, and the estimated appraised value was $52,700,000. Site penalties were estimated at $52,732,798 which produced a negative net market value. Therefore, rent is not due from the District currently. In the event rent does become due at some point in the future, the District estimates the rent to be approximately $470,000 annually.

Thus far, the qualifying site penalties and the qualifying rent credits have offset the 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 airspace 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 at least 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.

<u>City of Seattle Waterfront Local Improvement District (LID)</u>

The Waterfront Seattle Local Improvement District (LID) is a funding mechanism established by the City of Seattle to help finance the Waterfront Seattle Program, which aims to revitalize the city's central waterfront. This LID assesses property owners, including the District, within a designated area who are deemed to receive a "special benefit" from the improvements, such as increased property values due to the creation of new parks, public spaces, and improved infrastructure. Property owners within the LID boundaries will pay assessments over a period of years, and this funding, in conjunction with other sources, supports the costs of the waterfront transformation. The District has 14 parcels subject to the assessment the Program resulting in $1,943,437 in debt which matures in 2041. Currently, the District has opted to continue making interest-only payments.

Other Commitments – Marketing

The District has a contract with Visit Seattle, a 501 c(6) destination marketing organization, to market the convention center. The District has committed to pay Visit Seattle $11,500,000 as part of the 2025 budget. These payments may be modified at the discretion of the Board. The funding for this commitment is provided by lodging tax revenues. Other payments to Visit Seattle cover half of one Visit Seattle employee's annual salary. Visit Seattle has an information kiosk in both the Summit and Arch buildings.