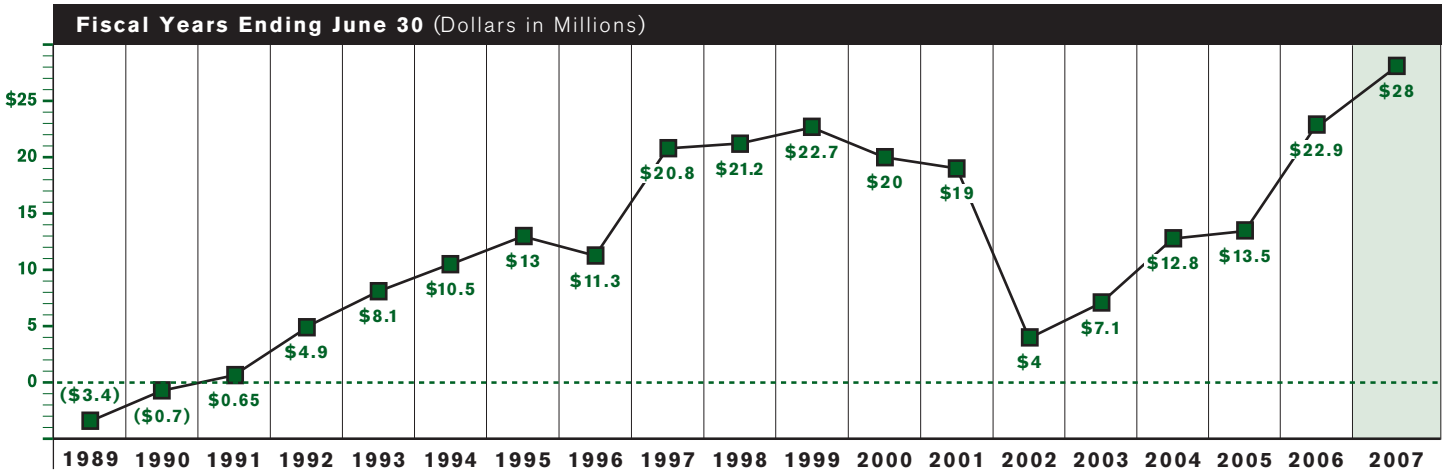

WASHINGTON STATE CONVENTION & TRADE CENTER

FISCAL 2007 ANNUAL REPORT
JULY 1, 2006 – JUNE 30, 2007

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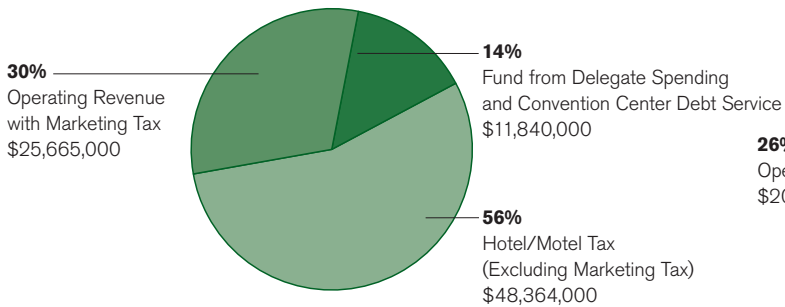
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NET ANNUAL CASH FLOW TO STATE

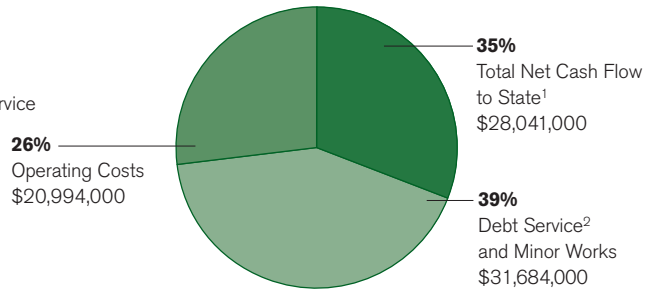


Amounts include net cash contributions to state Convention Center fund and state general fund, after deducting all operating costs and debt service payments.

SOURCES



USES



¹ Includes state general fund and state Convention Center fund.

² Includes bond principal and interest, Certificate of Participation lease payments and a legislatively-directed payment from the Convention Center account for minor works capital projects.

CONVENTION CENTER CASH FLOW SUMMARY

Fiscal Years Ending June 30 (Dollars in Thousands)

	2003	2004	2005	2006	2007
STATE CONVENTION CENTER FUNDS					
REVENUE SOURCES					
Hotel/Motel Tax ¹ (Excluding Marketing Tax and Including City Transient Tax)	\$33,194	\$35,171	\$37,081	\$42,772	\$48,364
Operating Revenue with Marketing Tax	17,123	19,154	18,765	24,232	25,665
Total Revenues	50,317	54,325	55,846	67,004	74,029
EXPENSES					
Debt Service ²	28,097	29,684	29,666	29,652	29,652
Minor Works ³	1,989	(54)	635	627	2,032
Operating Costs	16,701	17,662	18,092	19,847	20,994
Total Expense	46,787	47,292	48,393	50,126	52,678
Net Cash Flow to Convention Center	3,530	7,033	7,453	16,878	21,351
STATE GENERAL FUND					
Estimated Direct State Sales Tax on Delegate Spending	10,621	13,235	13,933	15,062	16,914
Cash Transfer from Convention Center	0	5,000 ⁴	5,000 ⁴	5,150 ⁴	5,150 ⁴
Less Credit for City Transient Tax	(7,011)	(7,519)	(7,918)	(9,068)	(10,224)
Net Cash Flow to General Fund	3,610	10,716	11,015	11,144	11,840
TOTAL NET CASH FLOW TO STATE	\$ 7,140	\$ 12,749⁴	\$ 13,468⁴	\$ 22,872⁴	\$ 28,041⁴

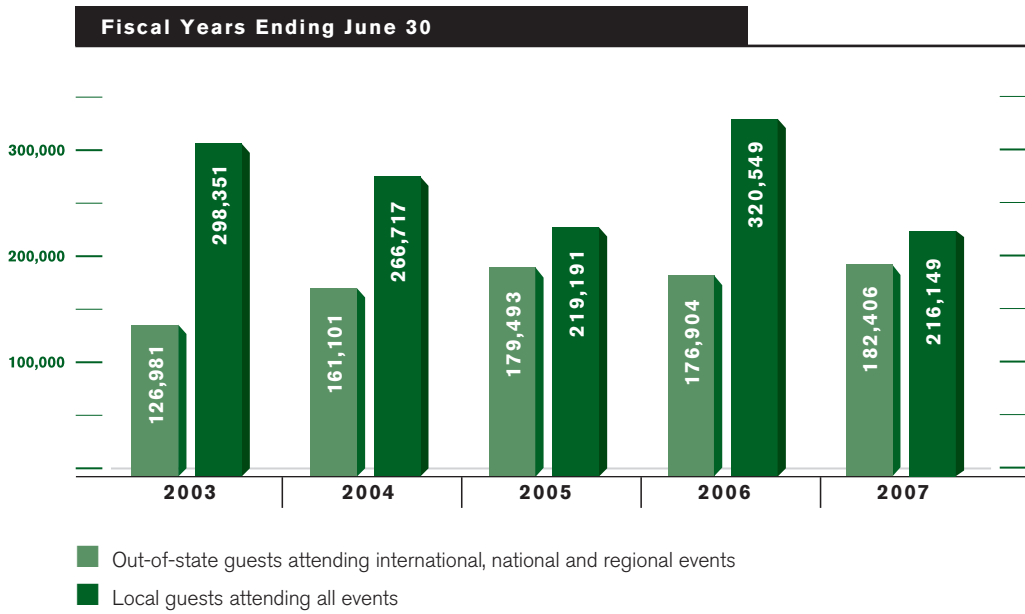
¹ A hotel/motel excise tax authorized by the state Legislature is imposed on room rates charged for lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payments for Convention Center debt service, Certificate of Participation lease payments and for marketing expenses incurred by Seattle's Convention and Visitors Bureau.

² Debt service includes bond principal and interest payments and annual Certificate of Participation lease payments, as well as \$2.7 million directly appropriated by the Legislature in 2002 for low-income housing mitigation projects.

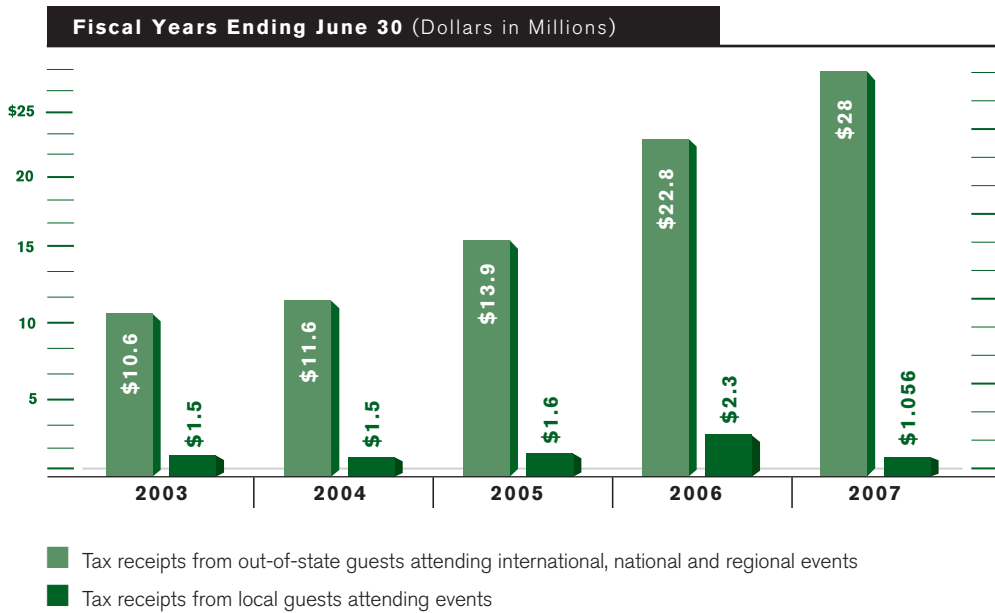
³ Minor works is appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement, energy-efficient lighting fixtures and freeway fire protection systems).

⁴ Cash transfer of \$5 million in March 2004 and March 2005, and \$5.15 million in March 2006 and March 2007, to the state general fund as approved by the Legislature. These funds are appropriated from existing balances in the Convention Center's capital fund. As a result, this cash transfer increases the net cash flow to the state general fund, but does not impact total net cash flow to state for the fiscal year.

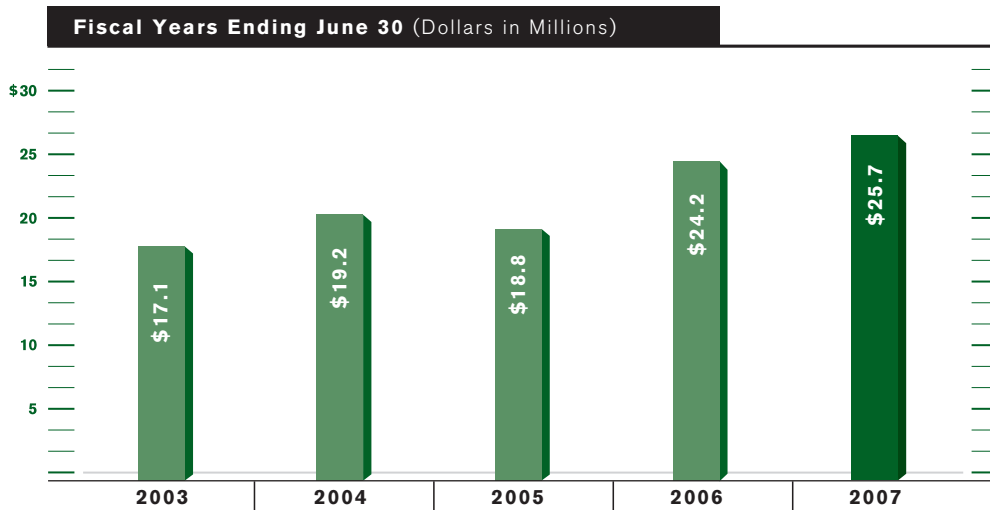
EVENT ATTENDANCE



ESTIMATED STATE SALES TAX RECEIPTS FROM DELEGATE SPENDING

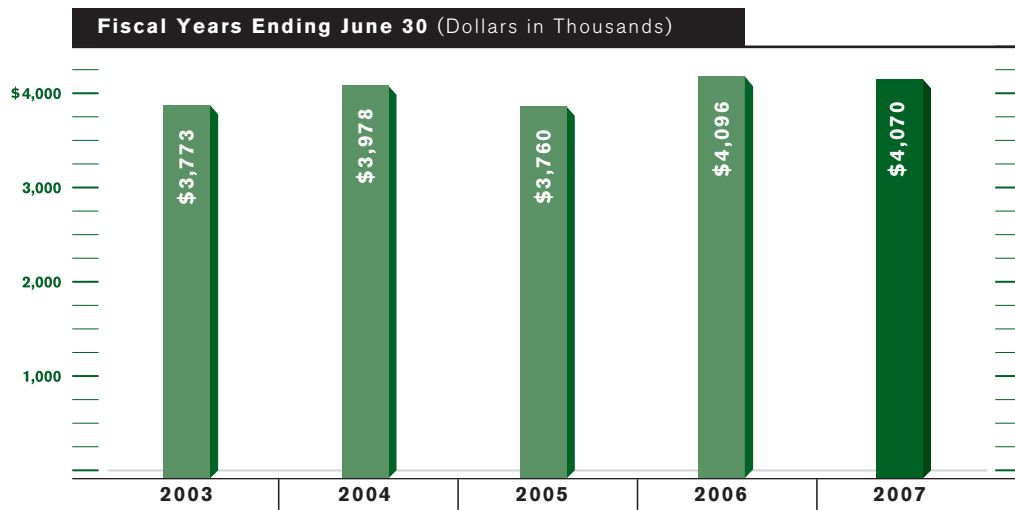


OPERATING REVENUES
TOTAL OPERATING REVENUE

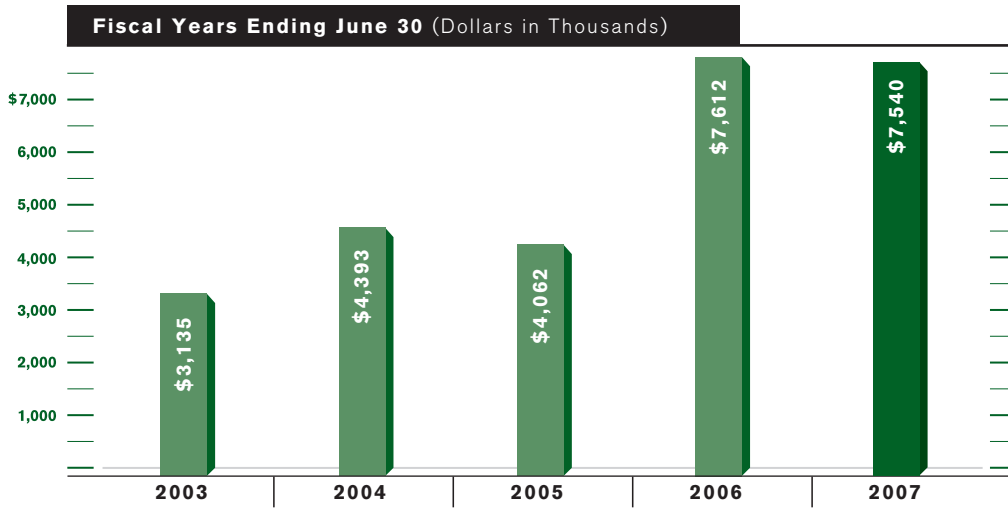


This statutory definition of operating revenue includes income from all Convention Center departments plus the 1 percent hotel tax for marketing, but excludes other hotel taxes received by the Center and direct sales taxes paid by delegates.

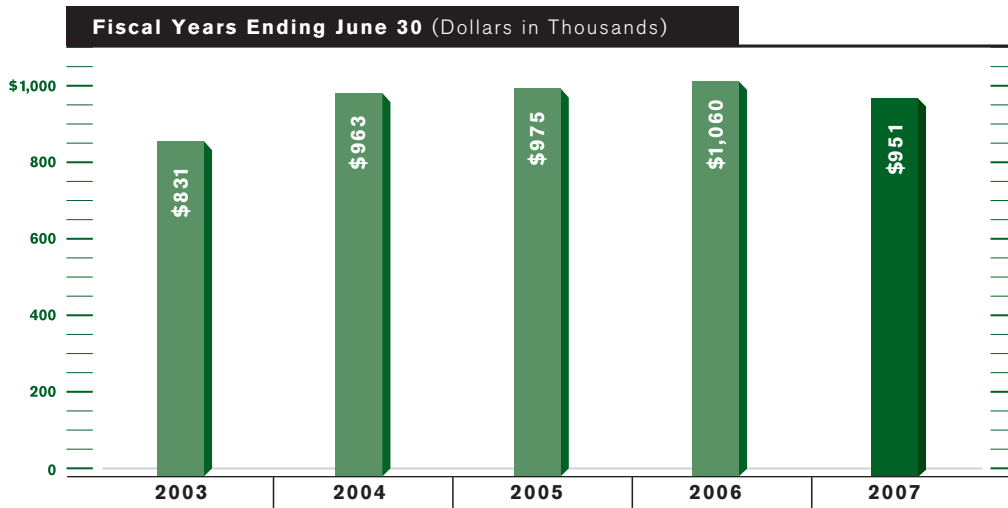
BUILDING RENT REVENUE



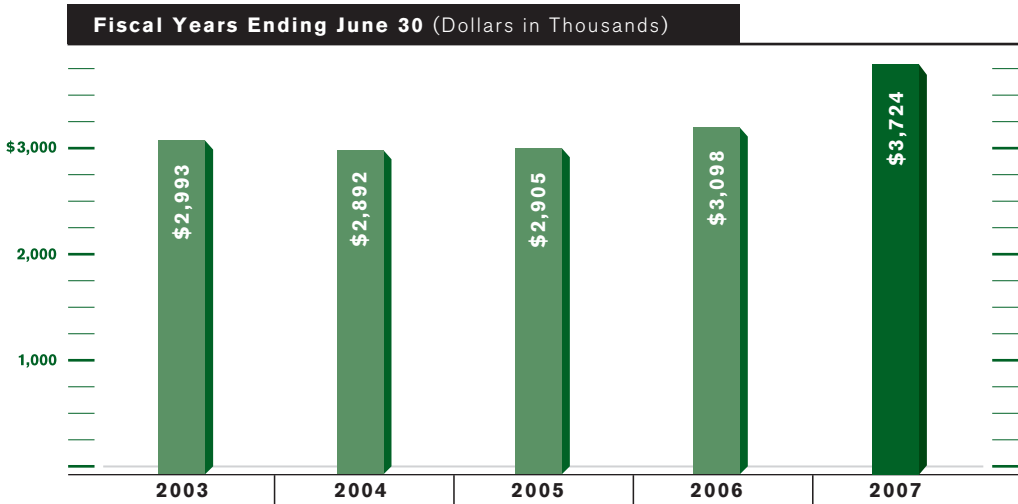
FOOD SERVICE REVENUE (NET)



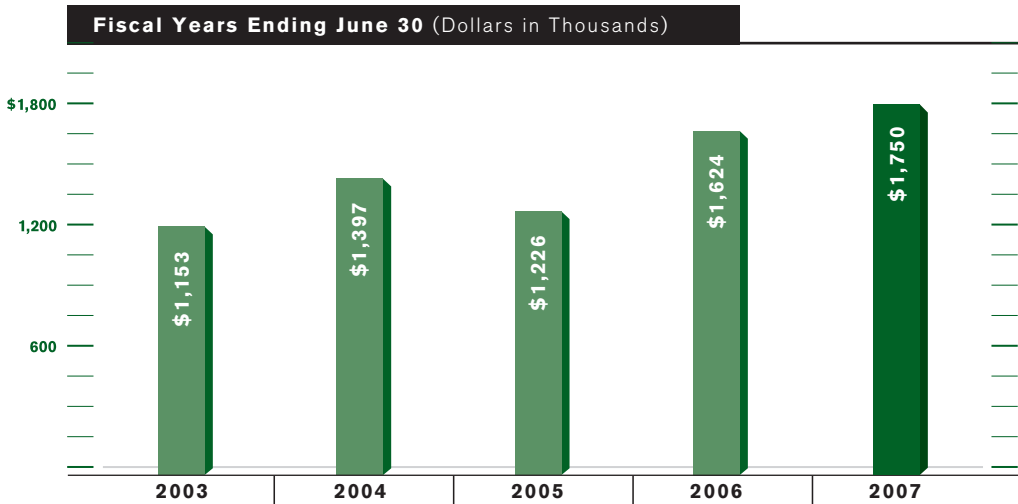
RETAIL RENT REVENUE



PARKING REVENUE



FACILITY SERVICES REVENUE



CASH FLOW TO LOCAL INSTITUTIONS
IMPACT OF THE CONVENTION CENTER (FORECAST)

King County (1989–2020)	\$ 126,240,047
City of Seattle (1989–2020)	72,657,062
Seattle School District (1989–2020)	13,570,732
Regional Transit Authority (1997–2020)	24,465,380
Arts and Culture Organizations (1997–2012)	35,975,452
TOTAL	\$272,908,673

IMPACT OF CONVENTION CENTER ON KING COUNTY TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹		
	1989–2007	2008–10	2011–15	2016–20
GENERAL COUNTY SALES TAX (0.15%)				
Construction - Original (\$114 million)	\$ 171,000			
Construction - Expansion (\$185.3 million)	277,950			
Retail Sales - Delegates	3,255,959	\$ 804,312	\$ 1,446,367	\$ 1,596,906
Hotel Rooms - Delegates	1,649,464	413,038	744,140	821,591
KINGDOME TAX (2% on lodging)	21,992,851	5,507,176	9,921,868	10,954,544
METRO TRANSIT SALES TAX				
Sales Tax (0.4%)	13,081,128	3,863,451	5,958,178	6,578,310
Sales Tax (0.2%) effective April 2001	2,868,688	1,879,769	2,920,676	3,224,662
CRIMINAL JUSTICE SALES TAX (0.3%)	9,810,846	2,819,653	4,381,013	4,836,993
PROPERTY TAX (Expansion Codevelopments and Eagles)²	1,530,797	835,611	1,046,553	1,046,553
KING COUNTY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS				
	\$54,638,683	\$16,123,010	\$26,418,795	\$ 29,059,559
ESTIMATED CUMULATIVE TAX RECEIPTS TO KING COUNTY, FISCAL 1989–2020				\$126,240,047

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² 2005 actual and forecasts at 2005 levy rate of \$1.43146 per \$1,000. ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON CITY OF SEATTLE TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹		
	1989–2007	2008–10	2011–15	2016–20
GENERAL SALES TAX (0.85%)				
Construction - Original (\$114 million)	\$ 969,000			
Construction - Expansion (\$185.3 million)	1,575,050			
Retail Sales - Delegate Spending	24,734,864	\$ 9,018,083	\$12,412,871	\$13,704,813
PROPERTY TAX (\$3.36 per \$1,000)				
Grand Hyatt Hotel (\$95.4 million)	1,987,012	1,215,314	1,492,360	1,492,360
One Convention Place Office Tower (\$88.8 million)	1,504,906	1,202,762	1,239,752	1,239,752
Less Taxes Paid on Previous Property Values	(355,690)	(235,977)	(294,971)	(294,971)
Eagles Building ²	0	11,486	19,143	19,143
CITY OF SEATTLE TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS				
	\$30,415,142	\$11,211,668	\$14,869,155	\$16,161,097
ESTIMATED CUMULATIVE TAX RECEIPTS TO CITY OF SEATTLE, FISCAL 1989–2020				\$72,657,062

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON SEATTLE SCHOOL DISTRICT TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹		
	1989–2007	2008–10	2011–15	2016–20
PROPERTY TAX (\$2.30181 per \$1,000)				
Grand Hyatt Hotel (\$90.4 million)	\$1,616,258	\$658,044	\$1,096,740	\$ 1,151,568
One Convention Place Office Tower (\$82.9 million)	1,266,811	613,140	1,021,900	1,072,995
Less Taxes Paid on Previous Property Values	(293,975)	(121,256)	(202,093)	(202,093)
Eagles Building ²	0	7,869	13,116	13,116
STATE GENERAL FUND SUPPORT FOR SEATTLE SCHOOLS (1.62%) ³				
Sales Tax: Delegate Hotel and Retail Spending	2,893,190	471,588	1,035,441	1,143,210
Sales Tax: Construction	315,163			
SEATTLE SCHOOL DISTRICT TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS				
	\$5,797,447	\$1,629,385	\$2,965,104	\$ 3,178,796
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE SEATTLE SCHOOL DISTRICT, FISCAL 1989–2020				\$13,570,732

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

³ Approximately 1.62 percent of the state's general fund is used to support Seattle schools.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON REGIONAL TRANSIT AUTHORITY TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹		
	1999–2007	2008–10	2011–15	2016–20
SALES TAX (0.4%)				
Expansion Construction (\$185.3 million)	\$ 741,200			
Retail Sales - Delegate Spending	8,474,589	\$2,958,916	\$5,841,351	\$ 6,449,324
REGIONAL TRANSIT AUTHORITY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS	\$9,215,789	\$2,958,916	\$5,841,351	\$ 6,449,324
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE REGIONAL TRANSIT AUTHORITY, FISCAL 1999–2020				\$24,465,380

¹ Forecast adjusted for expansion and 2 percent annual inflation.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON ARTS AND CULTURE ORGANIZATIONS TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹		
	1997–2007 ²	2008–10	2011–12	TOTAL
To Arts and Culture Organizations ^{3,4}	\$10,804,428	\$6,592,787	\$4,649,740	\$22,046,955
To Arts and Culture Endowment ⁵	6,433,478	4,395,191	3,099,828	13,928,497

ESTIMATED CUMULATIVE TAX RECEIPTS APPLIED BY KING COUNTY TO ARTS AND CULTURE ORGANIZATIONS OUT OF 2% KINGDOME HOTEL TAX, FISCAL 1997–2012⁶

\$35,975,452

¹ Forecasts adjusted for expansion, 2 percent annual inflation, and run until 2012 when the present statutory allocation ends.

² Revenues accrued prior to 1997 are not included in this table.

³ 75 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 1992–2000 per RCW 67.28.180 (3)(a)(i).

⁴ 70 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 2001–2012 per RCW 67.28.180 (3)(a)(i), less 40 percent used to establish the arts and culture endowment.

⁵ 40 percent of amounts distributed to arts and cultural organizations from 2001–2012 per RCW 67.28.180 (3)(e).

⁶ Amounts based on projected hotel expenditures by Convention Center out-of-state delegates only.

EXCERPT FROM KINGDOME HOTEL TAX LEGISLATION

RCW 67.28.180, AS LAST AMENDED IN 1997

“(3)(a) Taxes collected under this section in any calendar year before 2013 in excess of five million three hundred thousand dollars shall only be used as follows: (i) Seventy-five percent from January 1, 1992, through December 31, 2000, and seventy percent from January 1, 2001, through December 31, 2012, for art museums, cultural museums, heritage museums, the arts, and the performing arts. Moneys spent under this subsection (3)(a)(i) shall be used for the purposes of this subsection (3)(a)(i) in all parts of the county. (e) At least forty percent of the revenues distributed pursuant to (a)(i) of this subsection for the period January 1, 2001, through December 31, 2012, shall be deposited in an account and shall be used to establish an endowment. Principal in the account shall remain permanent and irreducible. The earnings from investments of balances in the account may only be used for the purposes of (a)(i) of this subsection.”

CONVENTION CENTER CASH FLOW AND IMPACT TO STATE - 1982-2020 (Dollars in Thousands)

CAPITAL PROJECTS					CONVENTION CENTER OPERATIONS AND FUND CASH FLOW					
Fiscal Year July 1-June 30	SOURCE OF FUNDS			USE OF FUNDS	SOURCE OF FUNDS			USE OF FUNDS		
	State Bond and Certificates of Participation Proceeds	Additional Funding Sources (Private, City, Department of Transportation)	Proceeds of Settlement and Sale of Property and Development Rights	Capital Development Costs	Hotel/Motel Tax Revenues with Sales Tax and Excluding Marketing Tax	Net Interest Received from Invested Cash	Gross Operating Revenue Including Marketing Tax	Operating Costs	Transfer Cash to CTED to Fund Tourism Commission	Debt Service Principal and Interest and Capital Improvements
Pre-Open										
1982-88	\$ 101,390	\$ 15,427	\$ 29,360	\$ 148,270	\$ 34,017	\$ 24,159	\$ 0	\$ 11,938		\$ 41,936
Act. 1989	24,625			17,212	8,321	46	3,982	8,412		12,722
Act. 1990				7,096	9,679	202	4,744	8,176		12,668
Act. 1991	21,344	912		20,809	10,950		5,518	9,569		12,648
Act. 1992	7,820	758		3,605	11,221		6,331	9,466		11,346
Act. 1993		450		2,500	12,472		7,398	9,795		11,731
Act. 1994				1,264	14,597		8,122	10,345		12,128
Act. 1995	2,700			3,030	16,283		9,459	12,096		11,988
Act. 1996				200	16,897		10,023	11,193		12,131
Act. 1997	111,700	3,450		12,243	21,088		12,264	11,575		12,683
Act. 1998		9,961		14,441	22,513		13,498	12,412		12,673
Act. 1999		7,803		46,621	25,118		14,380	12,609		14,614
Act. 2000	73,040	17,676		93,561	27,123		14,702	13,264		14,793
Act. 2001	4,600	23,489		45,569	36,505		15,390	13,964		21,014
Act. 2002		1,614		23,999	32,770		15,732	16,000		30,279
Act. 2003		58		11,383	33,194		17,123	16,701		29,801
Act. 2004		3,175		2,684	35,171		19,154	17,662		29,630
Act. 2005		140		4,725	37,110		18,765	18,092		30,301
Act. 2006		9		1,485	42,772		24,232	19,847		32,211
Prelm. 2007					48,365		25,665	20,994		33,161
Est. 2008	24,000			24,000	51,287		24,589	23,886	\$ 4,500	32,298
Est. 2009	34,000			11,220	53,328		23,494	23,408	4,500	39,551
Est. 2010				22,780	55,994		23,964	24,111	4,500	42,685
Est. 2011					58,794		24,922	24,713	4,500	43,220
Est. 2012					61,734		25,919	25,702	4,500	43,763
Est. 2013					64,820		26,956	26,730	4,500	44,352
Est. 2014					68,061		28,034	27,799	4,500	45,913
Est. 2015					71,464		29,156	28,911	4,500	46,743
Est. 2016					75,038		29,156	30,067	4,500	47,665
Est. 2017					78,789		30,322	31,270	4,500	48,631
Est. 2018					82,729		31,535	32,521	4,500	36,454
Est. 2019					87,693		33,112	33,822	4,500	29,622
Est. 2020					92,954		34,767	35,175	4,500	30,819
	\$ 405,219	\$ 84,922	\$ 29,360	\$ 518,697	\$ 1,398,851	\$ 24,407	\$ 612,408	\$ 632,225	\$ 58,500	\$ 932,174
	A	B	C	D				E	F	G

- A** This column includes the issuance of General Obligation Bonds, Certificates of Participation (COPs) and state financing contracts used to construct and expand the building.
- B** The pre-1988 figure varies from pre-1996 annual reports due to an audit adjustment for previously unrecognized receipts. Received for the current expansion: city of Seattle \$7,500,000; sales tax appropriation from Legislature \$5,750,000; private developers \$27,526,200 (R.C. Hedreen \$15,000,000, Trammell Crow \$4,176,200 and Museum of History & Industry \$8,350,000) and an estimated \$25,650,000 of interest on financing proceeds along with \$800,000 in construction site rents.
- C** Cash received from the Industrial Indemnity Corporation (IIC).
- D** Includes the original settlement budget of \$156,909,070; the budget for the 1989 conversion and expansion of the facility of \$26,300,000; interest earned on proceeds of conversion/expansion bonds of \$1,050,000; settlement cost related to construction litigation of \$2,260,000; \$3,000,000 authorized and appropriated to develop low income housing; \$2,300,000 to supplement parking revenue note payments to IIC for three years; and \$253,216,200 for the current expansion, including \$27,526,200 in local private participation; \$5,750,000 in sales tax on construction authorized and appropriated by the Legislature; \$7,500,000 from the city of Seattle; \$189,340,000 in COP proceeds, \$800,000 in rents and estimated \$25,650,000 in anticipated interest earning on proceeds of expansion financing and the net cost of the McKay parcel of \$9,000,000. Estimated spending in 2008-2010 for 800 Pike Street project.
- E** A one-time expenditure of \$766,000 for the preliminary expansion study incurred in 1995.
- F** The 2007 Legislature authorized Washington Tourism Commission and Convention Center to transfer \$4.5 million a year from fund O1V to Community Trade and Economic Development (CTED) to fund the Commission.

CASH INFLOWS TO STATE GENERAL FUND FROM THE CONVENTION CENTER

Convention Center Annual Cash Flow	Borrowed from the State	Repayment to State General Fund Including Interest	Direct Sales Tax Revenues from Construction	Direct Sales Tax Revenues from Delegate/Exhibition Spending	Directed Transfer to State General Fund	General Fund Credit for City Transient Tax	Interest Earnings Retained by State	CONVENTION CENTER NET CASH CONTRIBUTIONS TO GENERAL FUND		Fiscal Year July 1-June 30
								Convention Center Net Annual Cash Contribution to State General Fund	Convention Center Cumulative Cash Contribution to State General Fund	
\$ 4,302	\$ (2,889)		\$ 6,741				\$ 673	\$ 4,525	\$ 4,525	Pre-Open 1982-88
(8,785)	(8,785)		145	\$ 6,678				(1,962)	2,563	Act. 1989
(6,219)	(6,219)		355	3,238				(2,626)	(63)	Act. 1990
(5,749)	(5,749)		1,353	8,608				4,212	4,149	Act. 1991
(3,260)	(3,260)		234	7,614				4,588	8,737	Act. 1992
(1,656)	(1,656)		163	6,963				5,470	14,207	Act. 1993
246		\$ 246	82	7,371				7,699	21,906	Act. 1994
1,658		1,658	21	9,336				11,015	32,921	Act. 1995
3,596		3,596	13	7,696				11,305	44,226	Act. 1996
9,094		4,500		11,755				16,255	60,481	Act. 1997
10,926		5,700		10,111				15,811	76,292	Act. 1998
12,275		11,000		10,758				21,758	98,050	Act. 1999
13,768		9,458		8,176		\$ (1,907)	540	16,267	114,317	Act. 2000
16,917				9,731		(7,666)	902	2,967	117,284	Act. 2001
2,223				8,576		(6,823)	526	2,279	119,563	Act. 2002
3,815				10,621		(7,011)	432	4,042	123,605	Act. 2003
7,033				13,235	\$ 5,000	(7,519)	381	11,097	134,702	Act. 2004
7,482				13,933	5,000	(7,529)	497	11,901	146,603	Act. 2005
14,946				13,876	5,150	(9,068)	2,042	12,000	158,603	Act. 2006
19,875				16,914	5,150	(10,224)	3,226	15,066	173,669	Prelm. 2007
15,192				17,588		(10,870)	3,303	10,021	183,690	Est. 2008
9,363				18,281		(11,153)	5,229	12,357	196,047	Est. 2009
8,662				19,174		(11,710)	6,372	13,836	209,883	Est. 2010
11,283				20,096		(12,120)	7,221	15,197	225,080	Est. 2011
13,688				21,047		(12,726)	8,532	16,853	241,933	Est. 2012
16,194				22,639		(13,362)	9,246	18,523	260,456	Est. 2013
17,883				23,092		(14,031)	10,107	19,168	279,624	Est. 2014
20,466				23,554		(14,732)	10,455	19,277	298,901	Est. 2015
21,962				24,025		(15,469)	10,276	18,832	317,733	Est. 2016
24,710				24,505		(16,242)	11,659	19,922	337,665	Est. 2017
40,789				24,996		(17,054)	13,600	21,542	359,197	Est. 2018
52,861				25,495		(18,077)	14,112	21,530	380,727	Est. 2019
57,227				26,005		(19,162)	14,645	21,488	402,215	Est. 2020
\$ 412,767	\$ (28,558)	\$ 36,158	\$ 9,107	\$ 475,687	\$ 20,300	\$ (244,455)	\$ 133,976	\$ 402,215		
					H	I				
								GENERAL FUND TOTAL END OF 2020	\$ 402,215	
								CONVENTION CENTER ACCOUNT TOTAL END OF 2020	386,882	
								TOTAL STATE FUNDS AT END OF 2020	\$ 789,097	

G Debt service schedule reflects all refunding of callable bonds accomplished by the state treasurer and includes the annual lease payments on the financing contracts which are being used to finance the most recent expansion of the facility. Debt service entries include \$2.3 million (fiscal year 2001) and \$2.7 million (fiscal year 2002) directed by appropriation from the Legislature to be paid directly out of capital fund O1V for low-income housing mitigation. Estimated payments for the 800 Pike Street project financing contracts are included in fiscal years 2009 - 2018.

H Appropriated by the 2003 and 2005 Legislatures as a directed cash transfer from Convention Center capital fund (O1V) to the state general fund of \$5,000,000 in fiscal years 2004 and 2005, and \$5,150,000 in fiscal years 2006 and 2007.

I This column shows annual reductions in the amount of state sales tax deposited in the state general fund from the sale of hotel rooms in the city of Seattle, effective January 1, 2000, to pay costs of the expansion project.

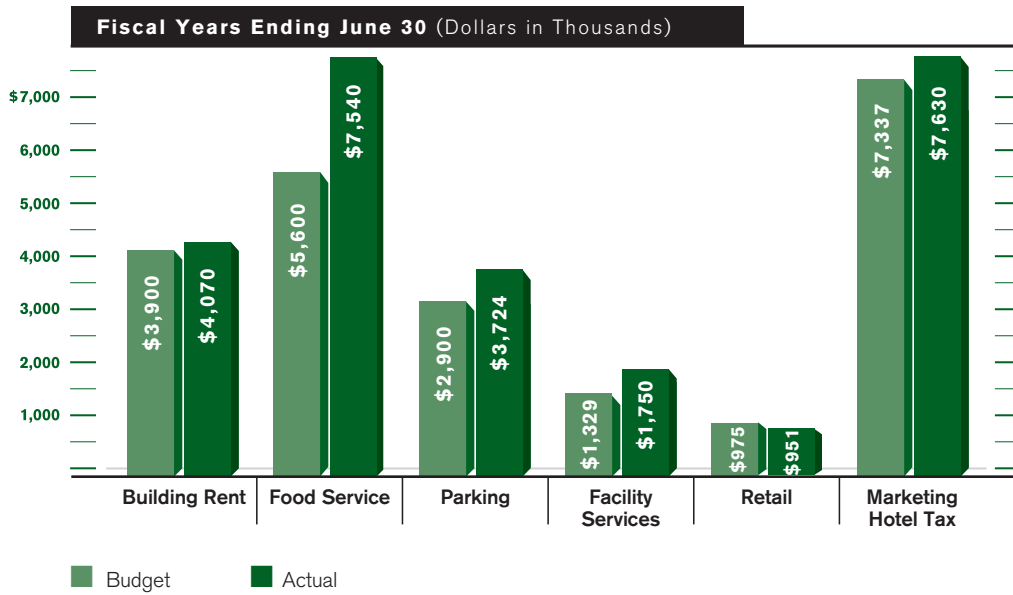
OPERATING FUND (537) REPORT

Fiscal year ended June 30, 2007

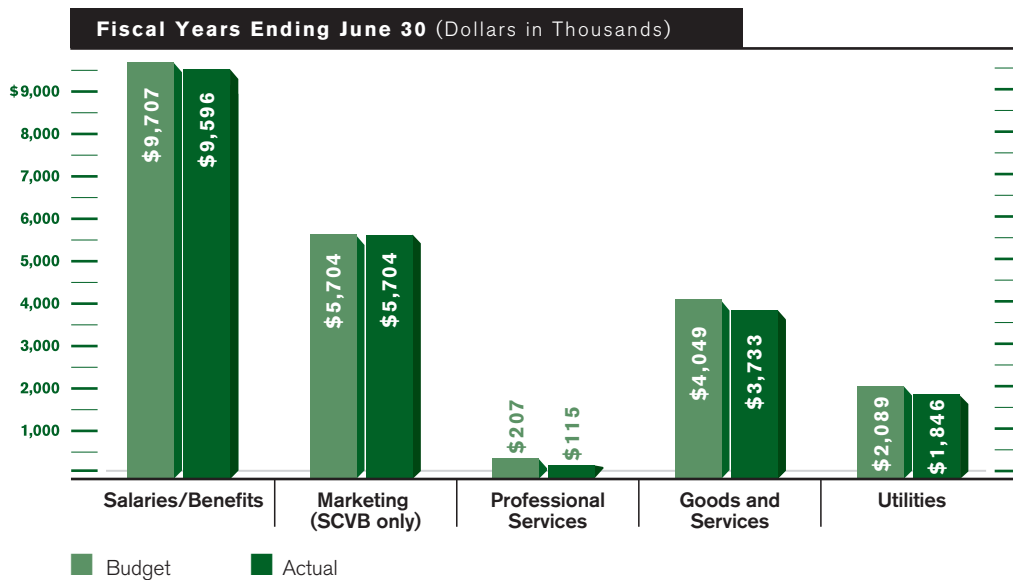
CATEGORY	2007 BUDGET	ACTUAL	VARIANCE
REVENUE			
Building Rent	\$ 3,900,000	\$ 4,069,688	\$ 169,688
Food Service	5,600,000	7,539,829	1,939,829
Parking	2,900,000	3,724,083	824,083
Facility Services	1,328,775	1,750,230	421,455
Retail	975,000	950,857	(24,143)
Marketing Hotel/Motel Tax	7,336,450	7,629,942	293,492
TOTAL	\$22,040,225	\$25,664,629	\$ 3,624,404
EXPENDITURE¹			
Salaries	\$ 6,641,236	\$ 6,666,949	\$ 25,713
Benefits	3,065,580	2,929,138	(136,442)
Marketing (SCVB only)	5,704,245	5,704,246	1
Professional Services	207,000	115,307	(91,693)
Goods and Services	4,049,315	3,732,581	(316,734)
Utilities	2,088,972	1,846,028	(242,944)
TOTAL	\$21,756,348	\$20,994,249	\$ (762,099)
NET INCOME	\$ 283,877	\$ 4,670,380	\$ 4,386,503

¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues paid to SCVB for their services are reflected in the expenditure item. Expenditures by Center sales staff are included in various items such as Salaries, Benefits, Professional Services and Goods and Services.

ANNUAL OPERATING REVENUES - BUDGET VS ACTUAL



ANNUAL OPERATING EXPENDITURES¹ - BUDGET VS ACTUAL



¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues are reflected in the Marketing expenditure item. Expenditures by Center sales staff are included in various items such as Salaries/Benefits, Professional Services and Goods and Services.

FISCAL BUDGET NOTE: The Convention Center operates within an overall biennial budget as approved by the state Legislature and a detailed annual budget approved by the board of directors.

INCOME STATEMENT

Fiscal Year Ended June 30, 2007

BUDGET TO ACTUAL AS OF JUNE 30, 2007	BUDGET	2007	2006
TOTAL OPERATING INCOME	\$ 14,703,775	\$ 18,034,688	\$ 17,489,805
NON-OPERATING INCOME			
Hotel / Motel Tax	41,100,850	45,770,495	40,445,951
Transient Rental Tax	9,603,420	10,223,550	9,068,417
Total Hotel Room Tax	50,704,270	55,994,045	49,514,368
Contribution of Capital	0	0	0
Total Non-Operating Income	50,704,270	55,994,045	49,514,368
Total Income	65,408,045	74,028,733	67,004,173
OPERATING EXPENSES			
Personnel Costs	9,706,816	9,596,087	8,913,585
Marketing (SCVB only)	5,704,245	5,704,246	5,651,972
Professional Services	207,000	115,307	3,710
Non-Capital Equipment	25,000	26,639	90,056
Goods and Services	6,092,487	5,524,503	5,204,422
Travel	20,800	27,467	17,156
Total Operating Expenses	21,756,348	20,994,249	19,880,901
NON-OPERATING EXPENSES			
Interest Expense	0	0	0
Depreciation Expense	8,200,000	8,367,837	8,410,387
Total Non-Operating Expenses	8,200,000	8,367,837	8,410,387
BOND INTEREST EXPENSE	18,600,000	18,826,286	19,653,980
TOTAL EXPENSES	48,556,348	48,188,372	47,945,268
NET INCOME	\$ 16,851,697	\$ 25,840,361	\$ 19,058,905

COMPARATIVE BALANCE SHEET

Fiscal Year Ended June 30, 2007

ASSETS AS OF JUNE 30, 2007	2007	2006
CURRENT ASSETS		
Petty Cash	\$ 46,100	\$ 46,100
Cash and Cash Equivalents	68,222,128	50,415,891
Total Cash and Cash Equivalents	68,268,228	50,461,991
Accounts Receivable	4,388,738	2,006,549
Other Current Assets	1,719,108	1,865,247
Total Current Assets	74,376,074	54,333,787
PROPERTY, PLANT AND EQUIPMENT		
Land	77,355,416	77,355,416
Furnishings and Equipment	16,938,529	14,597,822
Less Accumulated Depreciation	(5,186,114)	(4,506,393)
Net Furnishings and Equipment	11,752,415	10,091,429
Building	379,328,224	379,328,224
Less Accumulated Depreciation	(87,377,677)	(79,791,263)
Net Building	291,950,547	299,536,961
TOTAL ASSETS	\$455,434,452	\$441,317,593
LIABILITIES AND RETAINED EARNINGS AS OF JUNE 30, 2007		
CURRENT LIABILITIES		
Accounts Payable	\$ 533,515	\$ 338,212
Interest Payable	590,540	836,690
Other Accrued Expenses	21,030,034	19,731,109
Operating Deposits Payable	5,361,735	1,861,296
Total Current Liabilities	27,515,824	22,767,307
LONG-TERM LIABILITIES		
General Obligation Bonds	46,224,390	60,104,390
Other Long-Term Liabilities	181,322,035	183,870,447
Deferred Refunding Gain	209,594	253,201
Total Long-Term Liabilities	227,756,019	244,228,038
Total Liabilities	255,271,843	266,995,345
RETAINED EARNINGS		
Retained Earnings, Prior	174,322,248	155,263,343
Retained Earnings, Current	25,840,361	19,058,905
Total Retained Earnings	200,162,609	174,322,248
TOTAL LIABILITIES AND RETAINED EARNINGS	\$455,434,452	\$441,317,593

SOURCES AND USES OF FUNDS

Fiscal Year Ended June 30, 2007

	OPERATIONS	CAPITAL
BEGINNING CASH BALANCE JULY 1, 2006	\$ 9,336,160	\$41,079,731
Fund Revenue	4,670,381	48,364,104
BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME		
Other Assets	(2,352,705)	116,655
Land	0	0
Buildings	0	0
Improvements	0	(1,936,522)
Furnishings and Equipment	(404,186)	0
Construction In-Process	0	0
Accounts Payable	192,812	2,492
Other Short-Term Liabilities	75,664	1,223,260
Operating Deposits Payable	3,500,438	0
Long-Term Liabilities	(24,462)	3,494,034
Bonds Payable	0	(13,880,000)
Deferred Refunding	0	(43,607)
Expansion Financing	0	0
Funds Transferred to the State General Fund	0	(5,150,000)
Bond Debt Interest	0	(20,042,122)
Total	987,561	(36,215,810)
NET INCREASE IN CASH	5,657,942	12,148,294
CASH BALANCE AS OF JUNE 30, 2007	\$ 14,994,102	\$ 53,228,025

NOTES TO FINANCIAL STATEMENTS

**NOTE 1:
DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES**

These financial statements reflect a summary of transactions affecting the combined Convention Center capital fund and Convention Center operating fund for the capital development and operation of the Washington State Convention & Trade Center (the Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax on such larger lodgings of 60 units or more inside the Seattle city limits is being collected on behalf of the Convention Center to pay for debt service of the expansion project. The transient lodging tax will remain in effect until 2020, when the Convention Center debt is eliminated.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in a Convention Center hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Convention Center uses the accrual method of accounting, recognizes fixed assets and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The auditor does, however, audit the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

The Center does not apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

Asset	Useful Life
Building and Improvements	600 months
Air Conditioning Equipment	156 months
Vehicular Equipment	120 months
Furniture and Fixtures	120 months
Communications Equipment	84 months
Data Processing Equipment	72 months
Vehicles, All Other Equipment	60 months

As of June 30, 2007, the Center capitalized construction-to-date on the current expansion, which was fundamentally complete as of September 2002. Depreciation is based on the capitalized building amount of \$379 million for fiscal 2007.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR FISCAL 2007

	Fiscal 2006	Additions	Deletions	Fiscal 2007
Furnishings and Equipment	\$14,597,823	\$2,358,992	\$18,285	\$16,938,530

NOTE 2: CASH AND INVESTMENTS

The Office of the State Treasurer manages Convention Center cash and investments. Interest earned on cash in Convention Center funds remains under the jurisdiction of the state treasurer. Interest earnings, estimated to be over \$2.5 million in fiscal 2007, are neither credited to the Convention Center funds nor available to expend.

NOTE 3: TENANT LEASING AGREEMENTS

The Center leases building space to various retail tenants. A total of 18 retail leases provided revenue of \$950,857 in fiscal 2007. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Based on 18 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2008	905,043
2009	924,954
2010	945,303
2011	966,100
TOTAL	\$3,741,400

NOTE 4: REFUNDED LONG-TERM DEBT

To date, the following Convention Center debt has been defeased through the issuance of the following advance refunding bonds:

Proprietary Bond Type	Bond Issue Refunded	Amount Refunded	Refunding Bond Debt	Refunded Debt Outstanding
G.O.	AT-6	\$ 910,000	\$ 970,000	\$ 955,000
G.O.	R-89C-AT-1	70,770,000	78,375,000	10,140,000
Zero-Coupon	AT-5	15,346,428	25,026,467	25,026,467
G.O.	R-90A, AT-3	4,910,000	4,935,000	665,000
G.O.	R-92A	19,565,000	19,030,000	15,940,000
G.O.	AT-6	1,075,000	1,080,000	0
G.O.	R-92C	6,255,000	6,195,000	0
G.O.	AT-8	1,795,000	1,850,000	1,655,000
TOTAL		\$120,626,428	\$137,461,467	\$54,381,467

NOTE 5: LONG-TERM DEBT AUTHORIZATION

Convention Center long-term debt outstanding at June 30, 2007 consisted of the following:

Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2007
AT-8	4.8-7.0	7/96-7/15	\$2,835,000	\$ 0
AT-6	3.75-6.375	9/93-9/11	5,520,000	1,490,000
AT-5	6.55-7.1	8/97-8/12	21,343,610	4,232,924
R-98A (AT-6 Refunding)	4.25-5.0	1/98-7/12	970,000	955,000
R-93A (R-89C and AT-1 Refunding)	3.5-5.75	9/93-9/07	78,375,000	10,140,000
R-97A (AT-5 Refunding)	5.825-5.875	7/15-7/19	25,026,467	25,026,467
R-2000A (R-90A and AT-3 Refunding)	4.625-5.5	1/00-1/08	4,935,000	665,000
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	15,940,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	0
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	0
R-2004A (AT-8 Refunding)	2.0-5.0	1/04-7/15	1,850,000	1,655,000
TOTAL				\$60,104,391

Certificates of Participation	4.125-5.625	7/02-7/17	\$188,479,594	\$156,747,528
Accreted Interest, 0-Coupon Bonds	n/a	n/a	n/a	30,616,952
TOTAL				\$187,364,480

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

	Principal	Interest	Total
2008	\$ 19,887,446	\$ 9,398,265	\$ 29,285,711
2009	17,581,499	11,026,876	28,608,375
2010	18,328,921	10,250,805	28,579,726
2011	19,130,782	9,433,566	28,564,348
2012	19,834,141	8,558,056	28,392,197
Thereafter	122,089,130	72,684,853	194,773,983
TOTAL	\$216,851,919	\$121,352,421	\$338,204,340

NOTE 6: LEASE COMMITMENTS

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the \$1.3 million of city bonds outstanding at the time, funds a capital reserve account of \$500,000 with annual maximum payments of \$20,000, and is responsible for repairs and maintenance. The final debt service payment was made in June 2002. The capital reserve account payment for fiscal 2007 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2008	\$20,000
2009	20,000
2010	20,000
2011	20,000
TOTAL	\$80,000

NOTE 7: RISK MANAGEMENT

As a state agency, the Convention Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Convention Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Convention Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

NOTE 8: EMPLOYEE PENSION PLANS

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Convention Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A Convention Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.

The Center's contributions to the plan amounted to approximately \$174,975 for fiscal 2007. Plan assets at June 30, 2007 totaled \$5.13 million.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$553,694 for fiscal 2007.

NOTE 9: COMMITMENTS

The expansion budget of \$205.5 million was closed out April 1, 2006. The remaining fund balance of \$4,541 was transferred to debt service. The expansion project was completed on budget and without expending any of the additional \$5.5 million of budgeted COP contingency.

In fiscal 2003, the state legislature appropriated \$5 million for the state's general fund in each of fiscal years 2004 and 2005, to be paid out of Center's capital fund (O1V). Both payments have been made to the general fund. In addition, the 2005 state legislature appropriated \$5.15 million for the state's general fund for fiscal years 2006 and 2007, to be paid out of Center's capital fund (O1V). In March 2007, fiscal year 2007 payment of \$5.15 million was transferred to the general fund.

In fiscal 2007, the state Legislature authorized the purchase of the Museum of History and Industry (MOHAI) property and renovation for \$58 million, plus financing costs, to be financed with COPs. The MOHAI property is located within the existing footprint of the Convention Center on 8th Avenue and Pike Street. This acquisition will add 138,610 square feet of meeting and exhibition space.

The state Legislature passed bill 1276 to create the Washington Tourist Commission. To fund this commission, \$4.5 million per year will be transferred from the Convention Center's O1V fund. However, before balances can be transferred, adequate cash reserves must be met; including funds for existing debt service, debt service for acquisition, design and retrofit of MOHAI property, and \$6,150,000 per year for annual maintenance and facility enhancement. This amount will increase by 9 percent annually.