



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Accountability Audit Report**

# **Washington State Convention Center Public Facilities District**

**King County**

**For the period January 1, 2013 through December 31, 2013**

**Published November 24, 2014**

**Report No. 1013011**





## Washington State Auditor Troy Kelley

November 24, 2014

Board of Directors  
Washington State Convention Center Public Facilities District  
Seattle, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY  
STATE AUDITOR

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## AUDIT SUMMARY

### Results in brief

In the areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

### About the audit

This report contains the results of our independent accountability audit of the Washington State Convention Center Public Facilities District from January 1, 2013 through December 31, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Accounting/financial reporting
- Billings/receivables
- Cash receipting
- Debt/covenants
- Procurement (bidding/prevaling wage)
- Payroll/personnel
- Conflict of interest/ethics laws
- Payments/expenditures
- Insurance/risk management
- Unclaimed property
- Information technology/data security

## RELATED REPORTS

### **Financial**

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from Washington State Convention Center Public Facilities District.

## INFORMATION ABOUT THE DISTRICT

The Washington State Convention Center Public Facilities District was created on July 19, 2010, by King County Ordinance 16883. This was 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. The former nonprofit was established by the Washington State Legislature in 1982, to design, construct, promote and operate the Washington State Convention Center. The former nonprofit was an enterprise fund of the state of Washington, and its activities were reported in the Comprehensive Annual Financial Report (CAFR) of Washington State.

The District is an independent, governmental entity and all of its activities are accounted for in the records of the District. All liabilities incurred by the District are required to be satisfied exclusively from the assets, credit and property of the District. The District began startup activities subsequent to July 19, 2010, upon authorization by the Board of Directors of a \$500,000 loan from the nonprofit corporation to the District, which allowed the District to incur certain startup and organizational costs. The nonprofit corporation continued to earn the revenues from hotel/motel taxes, event rentals and tenant leases and to incur the associated operating expenses through December 31, 2010. As of December 31, 2010, the District recorded the assets of the nonprofit corporation (including all capital assets) and a receivable from the state in the amount of \$53.2 million, which represents a cash transfer to the District on January 4, 2011. The District also recorded all of the liabilities of the nonprofit corporation, with the exception of the long-term debt, which was defeased as described below.

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

The District is governed by a nine-member volunteer Board. Three members are appointed by the Governor. Three members are appointed by the King County Executive and three members are appointed by the Mayor of Seattle. The annual operating budget was approximately \$36.7 million in fiscal year 2013. The convention center employs 259 employees. In addition to a full-service convention center with meeting, banquet and exhibition facilities, the convention center operates two parking garages and leases building space to various retail tenants.

### Contact information related to this report

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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Washington State Convention Center Public Facilities District at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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