

***WASHINGTON STATE
MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT
(A COMPONENT UNIT OF KING COUNTY)***

Financial Statements

For the Year Ended December 31, 2013

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Independent Accountant's Compilation Report***Board of Directors
Washington State Major League Baseball Stadium
Public Facilities District
Seattle, Washington***Certified Public
Accountants
and Consultants

We have compiled the accompanying financial statements of Washington State Major League Baseball Stadium Public Facilities District (the District), a component unit of King County, Washington, which comprise the balance sheet as of December 31, 2013, and the related statement of revenues, expenses, and change in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the District 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, on pages 2 through 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been compiled by us without audit or review and accordingly, we do not express an opinion or provide any assurance on it.

Certified Public Accountants
March 28, 2014

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Management's Discussion and Analysis
December 31, 2013***

The Management's Discussion and Analysis of Washington State Major League Baseball Stadium Public Facilities District (the District) is designed to:

- Assist the reader in focusing on significant financial issues.
- Provide an overview of the District's financial activity.
- Identify changes in the District's financial position and their ability to meet future year's challenges.

The Management Discussion and Analysis focuses on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the District's financial statements.

Overview of the Financial Statements

The District's financial statements consist of management's discussion and analysis (this section), and financial statements required by the Governmental Accounting Standards Board (GASB). The financial statements include the District's financial statements and notes to the financial statements.

- The financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows.
- The financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the District's statements.

The District's statements report information about the organization as a whole using accounting methods substantially similar to those used by private sector companies and private, nonprofit corporations. The Balance Sheet includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Change in Net Position regardless of when cash is received or paid.

Fund Financial Statements - The Fund Financial Statements are the traditional reporting format for governments. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. The District only has one fund type, proprietary funds.

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

The District has one type of proprietary fund, enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

**Management's Discussion and Analysis
December 31, 2013**

Financial Highlights

- The District's net position decreased by \$6,455,212 as a result of current year operations offset by capital contributions. The decrease is primarily attributed to the normal annual depreciation of the District's capital assets.
- The District's total capital assets decreased by \$11,906,075, primarily due to depreciation expense totaling \$12,955,224 offset by purchases of capital assets.

Financial Analysis

Overall Analysis - The District's overall financial position did not change significantly from the previous year. Net position decreased by \$6,455,212. This decline can be primarily attributed to the annual depreciation of the District's capital assets.

Balance Sheets as of December 31,

	<u>2013</u>	<u>2012</u>
Current assets	\$ 4,453,619	\$ 4,060,107
Net capital assets	<u>372,897,168</u>	<u>384,803,243</u>
Total Assets	<u>\$ 377,350,787</u>	<u>\$ 388,863,350</u>
Current liabilities	\$ 3,333,968	\$ 3,330,837
Long-term liabilities	<u>17,390,347</u>	<u>22,450,829</u>
Total Liabilities	20,724,315	25,781,666
Invested in capital assets, net of related debt	352,235,720	359,081,316
Unrestricted	<u>4,390,752</u>	<u>4,000,368</u>
Total Net Position	<u>356,626,472</u>	<u>363,081,684</u>
Total Liabilities and Net Position	<u>\$ 377,350,787</u>	<u>\$ 388,863,350</u>

Total Assets - Total assets decreased by \$11,512,563 during 2013. The most significant component of this decrease was depreciation of the capital assets, which was partially offset by the current year capital improvements.

Total Liabilities - Total liabilities decreased by \$5,057,351 during 2013. The most significant components of this decrease were a decrease in sales taxes payable and obligation under excess revenue fund due to the payments made. Sales tax payable decreased by \$3,271,098 as the District made the ninth of ten installment payments in 2013. The obligation under excess revenue fund decreased by \$1,789,381 as the District and the Mariners mutually approved the unanticipated capital costs incurred in 2013 totaling \$982,620 that will be reimbursed to the Mariners from the Excess Revenue Fund. The District made payment of \$3,399,700 toward the fund.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Management's Discussion and Analysis
December 31, 2013***

Net Position - Increases and decreases in net position categories are as follows:

Invested in Capital Assets Net of Related Debt - Balance decreased by \$6,845,596 during 2013. The decrease is due to depreciation of capital assets totaling \$12,955,224, a decrease in liabilities related to Sales Tax Payable and Obligation under Excess Revenue Fund totaling \$5,060,479, offset by capital improvements of \$1,049,149.

Unrestricted - Unrestricted net position increased by \$390,384 from \$4,000,368 at December 31, 2012, to \$4,390,752 at December 31, 2013.

***Statements of Revenues, Expenses and Change in Net Position
For the Years Ended December 31,***

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 4,354,933	\$ 4,148,964
Operating expenses	<u>(13,472,232)</u>	<u>(13,585,696)</u>
Total Operating Loss	(9,117,299)	(9,436,732)
Nonoperating loss	<u>(554,011)</u>	<u>(501,766)</u>
Total Change in Net Position	(9,671,310)	(9,938,498)
Net position, beginning of year	363,081,684	369,847,977
Capital contribution	<u>3,216,098</u>	<u>3,172,205</u>
Net Position, End of Year	<u>\$ 356,626,472</u>	<u>\$ 363,081,684</u>

Operating Revenues - During 2013, operating revenues increased \$205,969, primarily as a result of increases in admission tax revenues.

Operating Expenses - Operating expenses of the District consisted of the following:

	<u>2013</u>	<u>2012</u>
Insurance	\$ 132,045	\$ 132,076
Professional fees	335,364	439,181
Personnel	31,236	60,834
Other	18,363	26,729
Depreciation	<u>12,955,224</u>	<u>12,926,876</u>
Total Operating Expenses	<u>\$ 13,472,232</u>	<u>\$ 13,585,696</u>

Nonoperating Loss - Nonoperating loss increased by \$52,245 as a result of a decline in interest earnings of \$120,949 offset by a decline in interest expense on obligation under excess revenue fund of \$59,841.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Management's Discussion and Analysis
December 31, 2013***

Capital Contribution - During the year ended December 31, 2013, the Mariners made a capital contribution of \$3,216,098 to the District.

Budget

The District's operating results are consistent with its operating budgets.

Capital Assets and Long-Term Debt Activity

The District's capital assets include the baseball stadium, parking garage, related land, and furniture, fixtures and equipment. The baseball stadium and parking garage are under a long-term lease with the Mariners. In 2013, the District's total capital assets balance decreased by \$11,906,075 from the prior year due to depreciation, offset by capital improvements.

The District's long-term debts include Sales Tax Payable and Obligation under Excess Revenue Fund. In 2013, the sales tax payable balance decreased by \$3,271,098 due to the ninth installment payment made. In 2013, the District and the Mariners mutually approved the unanticipated capital costs incurred in 2013 totaling \$1,610,319, which will be reimbursed to the Mariners from the Excess Revenue Fund. The District made a payment of \$3,399,700 toward the Obligation under Excess Revenue Fund. See Note 8 of the financial statements for further discussion of the Obligation under Excess Revenue Fund.

Other Potentially Significant Factors Impacting Next Year

The District was granted a sales and use tax deferral certificate by the State of Washington Department of Revenue on qualifying acquisitions made for five years after the completion of the ballpark. The final installment payment is expected to be made on December 19, 2014.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District, at P.O. Box 94445, Seattle, WA 98124.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Balance Sheet
December 31, 2013***

Assets

Current Assets:

Cash and cash equivalents (Note 6)	\$ 4,426,277
Receivables	15,563
Prepaid expenses	11,779

Total Current Assets **4,453,619**

Capital Assets - Noncurrent (Note 2):

Baseball stadium	493,232,322
Parking garage	24,873,877
Land	38,424,405
Furniture, fixtures and equipment	82,967
Accumulated depreciation	(183,716,403)

Total Capital Assets - Noncurrent **372,897,168**

Total Assets **\$ 377,350,787**

Liabilities and Net Position

Current Liabilities:

Accounts payable	\$ 62,867
Sales tax payable (Note 4)	3,271,101

Total Current Liabilities **3,333,968**

Obligation under excess revenue fund - noncurrent (Note 8) 17,390,347

Total Liabilities **20,724,315**

Net Position:

Invested in capital assets net of related debt	352,235,720
Unrestricted	4,390,752

Total Net Position **356,626,472**

Total Liabilities and Net Position **\$ 377,350,787**

See accompanying notes and independent accountant's compilation report.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2013***

Operating Revenues:

Admission tax revenue (Note 8)	\$ 3,079,548
Ballpark rent (Note 7)	950,018
Parking tax revenue	<u>325,367</u>

Total Operating Revenues **4,354,933**

Operating Expenses:

General and administrative	517,008
Depreciation	<u>12,955,224</u>

Total Operating Expenses **13,472,232**

Total Operating Loss **(9,117,299)**

Nonoperating Revenues (Expenses):

Interest earnings	75,952
Unrealized investment loss	(2,264)
Interest expense	<u>(627,699)</u>

Total Nonoperating Loss **(554,011)**

Change in Net Position **(9,671,310)**

Net position, January 1, 2013 363,081,684

Capital contribution 3,216,098

Net Position, December 31, 2013 **\$ 356,626,472**

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Statement of Cash Flows
For the Year Ended December 31, 2013***

Cash Flows from Operating Activities:	
Cash paid for operating expenses	\$ (525,155)
Cash paid for sales taxes	(3,271,098)
Cash receipts from admission taxes	3,079,548
Cash receipts from parking taxes	329,454
Cash receipts from rental income	950,018
	<u>562,767</u>
Total Cash Provided by Operating Activities	562,767
Cash Flows from Capital and Related Financing Activities:	
Capital contribution	3,216,098
Payment of obligation under excess revenue fund	(3,399,700)
	<u>(183,602)</u>
Net Cash Used in Capital and Related Financing Activities	(183,602)
Cash Flows from Investing Activities:	
Interest earnings	74,067
Investment loss on cash and cash equivalents	(2,264)
Payment for capital assets	(66,529)
	<u>5,274</u>
Total Cash Provided by Investing Activities	5,274
Net Change in Cash and Cash Equivalents	384,439
Cash and cash equivalents, January 1, 2013	4,041,838
	<u>4,426,277</u>
Cash and Cash Equivalents, December 31, 2013	\$ 4,426,277
Reconciliation to Operating Loss:	
Operating loss	\$ (9,117,299)
Adjustment to reconcile net cash from operating activities:	
Depreciation	12,955,224
Changes in assets/liabilities:	
Accounts receivable	4,087
Accounts payable	6,162
Wages and vacation payable	(3,034)
Prepaid expenses	(11,275)
Sales tax payable	(3,271,098)
	<u>562,767</u>
Cash Provided by Operating Activities	\$ 562,767
Supplemental Disclosure:	
Noncash addition of fixed assets	\$ 982,620
Cash paid for interest	\$ 627,699

See accompanying notes and independent accountant's compilation report.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Notes to Financial Statements
For the Year Ended December 31, 2013***

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Washington State Major League Baseball Stadium Public Facilities District (the District) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to special purpose governments. The following is a summary of the most significant policies.

The Reporting Entity - The District was created through the passage of EHB 2115 and King County Ordinance 12000, which was approved by the Metropolitan King County Council on October 24, 1995. The District is considered a component unit of King County. The Washington State Governor and King County Executive appoint the District board members. The Governor and King County Council may remove District Board members whom they have appointed or ratified. The District operates as a municipal corporation of the State of Washington and was formed to site, design, build and operate a major league baseball park.

Basis of Accounting - The District uses the accrual basis of accounting. Expenses are recorded at the time liabilities are incurred and revenues are recorded when earned.

Operating and Nonoperating Activity - Operating activities represent revenues and expenses related to the lease, including admission and parking tax revenues. Nonoperating activities are the revenues and expenses related to investments and debt.

Cash and Cash Equivalents - For the purpose of reporting cash flows, the District considers all highly liquid instruments purchased with an original maturity of three months or less and investments in the King County Treasury Division's Investment Pool to be cash equivalents. The King County Treasury Division Manager pools and invests all short-term cash surpluses not otherwise invested by individual funds of the County. Earnings from these pooled investments are allocated to the District based upon the District's proportionate share in the pooled investments.

Capital Assets - Capital assets include land, the baseball stadium and furniture, fixtures, and equipment. The Baseball Stadium includes all costs associated with the development and construction of the ballpark project. Furniture, fixtures, and equipment include items with a cost greater than or equal to \$500.

Capital assets are valued at historical costs, and depreciated on a straight-line basis based over their estimated useful lives. Furniture, fixtures, and equipment are depreciated over three or five years. The baseball stadium is depreciated over 40 years from the date it was placed in service.

Risk Management - The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for risk of loss. The District did not settle any claims in excess of its commercial insurance coverage during the year ended December 31, 2013.

Compensated Absences Payable - District employees earn 12 days of sick leave and 10 to 15 days of vacation per year, depending on the employee's length of service. An unlimited amount of sick leave and two times the annual vacation allotment may be accrued. An employee leaving the employment of the District is entitled to be paid for all unused vacation. Unused sick leave is forfeited upon termination of employment. There was no accrual for unused vacation in the accompanying statement of net position as no employees were employed by the District at December 31, 2013.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Notes to Financial Statements
For the Year Ended December 31, 2013***

Note 2 - Capital Assets

The following is a summary of changes in capital assets:

	<i>Balance December 31, 2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance December 31, 2013</i>
Capital Assets Not Being Depreciated:				
Land	\$ 38,424,405	\$ -	\$ -	\$ 38,424,405
Total Capital Assets Not Being Depreciated	38,424,405			38,424,405
Capital Assets Being Depreciated:				
Capital assets cost-				
Baseball stadium	492,201,159	1,031,163		493,232,322
Parking garage	24,873,877			24,873,877
Furniture, fixtures, and equipment	64,981	17,986		82,967
	517,140,017	1,049,149		518,189,166
Accumulated depreciation-				
Baseball stadium	162,612,187	12,330,670		174,942,857
Parking garage	8,084,011	621,847		8,705,858
Furniture, fixtures, and equipment	64,981	2,707		67,688
	170,761,179	12,955,224		183,716,403
Total Capital Assets Being Depreciated, Net	346,378,838	(11,906,075)		334,472,763
Total Capital Assets, Net	\$ 384,803,243	\$(11,906,075)	\$ -	\$ 372,897,168

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Notes to Financial Statements
For the Year Ended December 31, 2013***

Note 3 - Employee Benefit Plans

All employees of the District can participate in either the Public Employees' Retirement System (PERS) or the Stadium Public Facilities District (PFD) Retirement Plan. Employer contributions are paid by the District in accordance with rates specified by the individual plans. Total payroll covered by all systems for the year ended December 31, 2013, was \$13,538.

Public Employees' Retirement System - The State Legislature established PERS in 1947 under RCW chapter 41.40. PERS is a cost-sharing multiple-employer system. The District's Board of Directors adopted participation in the PERS Plan in 1996. The District had one employee participating in PERS during 2013. Contributions totaled \$1,800.

Stadium PFD Retirement Plan - Employees are able to select the Stadium PFD Retirement Plan (the Plan) as an alternative benefit plan to PERS. The Plan is designated as a profit sharing plan in accordance with section 401(a)(27)(B) of the Internal Revenue Code.

The District makes all contributions to the Plan. No contributions by participants are required or permitted other than rollover contributions authorized by the Plan. The contributions are discretionary but shall be no less than the greater of seven and one-half percent of employee wages or the amount that would be required by PERS. All contributions to the Plan vest immediately. There were no contributions made to the Plan in 2013.

Note 4 - Sales Tax Payable

The District was granted a Sales and Use Tax Deferral Certificate by the State of Washington Department of Revenue. State and local retail sales tax and use tax due on qualifying acquisitions made from July 25, 1996 to July 31, 1999 were deferred until five years after the completion of the baseball park. Qualifying acquisitions include material, labor, services utilized in the construction of the stadium, and machinery and equipment integral and necessary for the operation of the ballpark. Payments on the deferred taxes are due in ten annual installments, which started on December 31, 2004. At December 31, 2013, total sales taxes deferred were \$3,271,101.

Estimated annual payment on deferred sales tax payable is \$3,271,101 for the year ended December 31, 2014.

Note 5 - Contributed Capital

Under King County Ordinance 12000, the County issued five series of general obligation bonds for the purpose of funding the construction of the baseball park and related parking facilities. Total par value of \$336,000,000 less any costs related to bond issuing were contributed to the District. Additionally, the Baseball Club of Seattle, LP (the Mariners) have contributed \$131,122,422 for the construction in prior years and \$3,216,098 in 2013. The contributed capital is included in the net position invested in capital assets net of related debt balance.

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT**

***Notes to Financial Statements
For the Year Ended December 31, 2013***

Note 6 - Deposits with Financial Institutions and Investments

The King County Treasurer is the ex-officio treasurer for the District. In this capacity, the County Treasurer receives deposits and transacts investments on the District's behalf. The District's deposits are covered entirely by federal depository insurance or uninsured but collateralized under the Public Deposit Protection Commission of the State of Washington (PDPC) collateral pool. The PDPC's agent in the name of the pool holds pledged securities under the PDPC pool.

Statutes authorize the District to: 1) deposit in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in this state, if the institution has been approved by the PDPC to hold public deposits; and 2) invest in obligations of the United States Treasury and instrumentalities, banker's acceptances issued in the secondary market, commercial paper, primary certificates of deposits issued by PDPC qualified public depositories, and the State Treasurer's Investment Pool. The District is also authorized to enter into repurchase and reverse repurchase agreements.

All of the District's investments during the year and at year-end were insured or registered, or were held by the District or its agent in the District's name. The District does not have a custodial credit risk policy.

Note 7 - Ballpark Rent

The lease between the District and the Mariners runs through 2018, and calls for base rent of \$700,000 per year, with an annual CPI index adjustment. Total future minimum lease payments to be received under the lease are \$3,500,000, with an annual CPI index adjustment. Rent income for the 2013 season was \$950,018. The lease has two five-year extension options.

Note 8 - Obligation Under Excess Revenue Fund

Under the lease, the Excess Revenue Fund (the Fund) may be used to fund certain unanticipated Major Maintenance and Capital Improvement Expenses (collectively, "Unanticipated Capital Costs"). The Mariners has the right to obtain reimbursement from the Excess Revenue Fund for costs of repairs or maintenance that fall under the definition of "Unanticipated Capital Costs" it incurs, prior to funds being available in the fund. Obligations under the Fund require mutual approval of the District and the Mariners, and are limited to amounts available in the Fund and Fund revenues. The source of funding for the Excess Revenue is the 5% admission tax. The obligation to be paid under the Excess Revenue Fund is limited to amounts available in the Fund and cannot exceed the Fund revenues. Amounts accrued to the Fund totaled \$17,390,347 at December 31, 2013.