

Washington State Auditor's Office
Financial Statements Audit Report

Washington State
Major League Baseball Stadium
Public Facilities District
King County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008068

Issue Date
July 30, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

July 30, 2012

Board of Directors
Washington State Major League Baseball Stadium Public Facilities District
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Washington State Major League Baseball Stadium Public Facilities District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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King County
January 1, 2011 through December 31, 2011**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Washington State Major League Baseball Stadium Public Facilities District King County January 1, 2011 through December 31, 2011

Board of Directors
Washington State Major League Baseball Stadium Public Facilities District
Seattle, Washington

We have audited the basic financial statements of the Washington State Major League Baseball Stadium Public Facilities District, King County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated July 10, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Board of Directors. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 10, 2012

Independent Auditor's Report on Financial Statements

Washington State Major League Baseball Stadium Public Facilities District King County January 1, 2011 through December 31, 2011

Board of Directors
Washington State Major League Baseball Stadium Public Facilities District
Seattle, Washington

We have audited the accompanying basic financial statements of the Washington State Major League Baseball Stadium Public Facilities District, King County, Washington, as of and for the year ended December 31, 2011, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Major League Baseball Stadium Public Facilities District, as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 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 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 the 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 10, 2012

Financial Section

**Washington State Major League Baseball Stadium Public Facilities District
King County
January 1, 2011 through December 31, 2011**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Balance Sheet – 2011

Statement of Revenues, Expenses and Changes in Net Assets – 2011

Statement of Cash Flows – 2011

Notes to Financial Statements - 2011

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

Management's Discussion and Analysis December 31, 2011

The discussion and analysis of Washington State Major League Baseball Stadium Public Facilities District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2011. The information should be read in conjunction with the financial statements.

Overview of the Financial Statements

The District's financial statements consist of the 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 Changes in Net Assets, 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, non-profit 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 Changes in Net Assets regardless of when cash is received or paid.

Financial Highlights

- The District's net assets decreased by \$7,209,474 as a result of current year operations. The decrease is primarily attributed to the normal annual depreciation of the District's capital assets.
- The District's total capital assets decreased by \$12,702,950, primarily due to depreciation expense totaling \$12,908,135.

Financial Analysis

Overall Analysis - The District's overall financial position did not change significantly from the previous year. Net assets decreased by \$7,209,474. This decline can be primarily attributed to the annual depreciation of the District's capital assets.

Total Assets - Total assets decreased by \$12,371,422 from \$413,134,820 at December 31, 2010, to \$400,763,398 at December 31, 2011. The most significant component of this decrease was depreciation of the capital assets, which was partially offset by the current year capital improvements. Increases and decreases in assets are as follows:

Cash and Cash Equivalents - The District invests most of its cash and cash equivalents in the King County Investment Pool. Total cash and cash equivalents at December 31, 2011 decreased by \$320,225 from the prior year.

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

Management's Discussion and Analysis December 31, 2011

Receivables - Interest receivable decreased by \$1,267 from the prior year. In 2011, the Washington State Legislature passed ESSB 5384 (amending RCW 36.100.220), which authorized the District to collect a 10% tax on vehicle parking charges imposed at the baseball stadium parking garage. The District imposed the tax by Resolution No. 416, with an effective date of October 1, 2011. Parking tax receivable totaled \$25,056 at December 31, 2011.

Prepaid Expenses - Prepaid expenses decreased by \$12,486 from the prior year.

Capital Assets - Capital assets of the District consist of the baseball stadium, parking garage, land, and office furniture and equipment. The Baseball Club of Seattle, LP (the Mariners) incurred \$946,895 in unanticipated maintenance and capital improvement expense (unanticipated capital costs) of the ballpark, for which the Mariners will seek reimbursement from the District from the Excess Revenue Fund.

Total Liabilities - Total liabilities decreased by \$5,161,948 from \$36,077,369 at December 31, 2010, to \$30,915,421 at December 31, 2011. The most significant components of this decrease were a decrease in deferred sales taxes and obligation under excess revenue fund due to the payments made. Increases and decreases in liabilities are as follows:

Accounts Payable and Wages and Vacation Payable - Accounts and wages payable increased by \$39,255.

Deferred Sales Tax Payable - Overall non-current payable balance decreased by \$3,271,098 from \$13,084,395 at December 31, 2010, to \$9,813,297 at December 31, 2011. The District made the seventh of ten installment payments in 2011.

Obligation Under Excess Revenue Fund - The obligation decreased by \$1,930,105 from \$22,957,012 at December 31, 2010, to \$21,026,907 at December 31, 2011. The District and the Mariners mutually approved the unanticipated capital costs incurred in 2011 totaling \$946,895 that will be reimbursed to the Mariners from the Excess Revenue Fund. The District made payment of \$2,877,000 toward the fund.

Net Assets - At December 31, 2011, net assets of the District were \$369,847,977 compared to \$377,057,451 at December 31, 2010. Increase and Decrease in net asset categories are as follows:

Invested in Capital Assets Net of Related Debt - Balance decreased by \$7,501,747 at December 31, 2011, from December 31, 2010. The decrease is due to depreciation of capital assets totaling \$12,908,135, a decrease in liabilities related to Deferred Sales Tax Payable and Obligation under Excess Revenue Fund totaling \$5,201,203, offset by capital improvements of \$205,185.

Unrestricted - Net assets in unrestricted net assets increased by \$292,273 at December 31, 2011, from \$3,415,410 at December 31, 2010.

Operating Revenues - During 2011, the District recorded rent revenues from the Mariners totaling \$905,219, compared to \$899,820 in 2010. The increase in rent revenue was in accordance with increases set forth in the lease agreement with the Mariners. Additionally, the District recorded admission tax revenue of \$2,861,185 and parking tax revenue of \$38,257.

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

Management's Discussion and Analysis December 31, 2011

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

	<i>2011</i>	<i>2010</i>
Insurance	\$ 119,815	\$ 165,901
Professional fees	454,610	286,146
Personnel	57,712	58,662
Other	19,671	14,059
Depreciation	12,908,135	12,903,006
Total Operating Expenses	\$ 13,559,938	\$ 13,427,774

Non-Operating Revenues and Expenses - Non-operating revenues consisted of investment income totaling \$64,290. Non-operating expenses consisted of interest expense on obligation under excess revenue fund of \$745,818.

Capital Contribution - During the year ended December 31, 2011, the Baseball Club of Seattle, LP made a capital contribution of \$3,247,098 to the District.

***Condensed Financial
Statements***

Balance Sheets as of December 31,

	<i>2011</i>	<i>2010</i>
Current assets	\$ 3,782,900	\$ 3,451,372
Net capital assets	396,980,498	409,683,448
Total Assets	\$ 400,763,398	\$ 413,134,820
Current liabilities	\$ 3,346,315	\$ 3,307,060
Long-term liabilities	27,569,106	32,770,309
Total Liabilities	30,915,421	36,077,369
Invested in capital assets, net of related debt	\$ 366,140,294	\$ 373,642,041
Unrestricted	3,707,683	3,415,410
Total Net Assets	369,847,977	377,057,451
Total Liabilities and Net Assets	\$ 400,763,398	\$ 413,134,820

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

Management's Discussion and Analysis December 31, 2011

*Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31,*

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 3,804,661	\$ 4,123,130
Operating expenses	(13,559,938)	(13,427,774)
Total Operating Loss	(9,755,277)	(9,304,644)
Non-operating loss	(701,295)	(780,474)
Total Change in Net Assets	(10,456,572)	(10,085,118)
Net Assets, Beginning of Year	377,057,451	386,167,943
Capital contribution	3,247,098	974,626
Net Assets, End of Year	\$ 369,847,977	\$ 377,057,451

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 long-term lease with the Mariners. In 2011, the District's total capital assets balance decreased by \$12,702,950 from the prior year due to depreciation, offset by capital improvements.

The District's long-term debts include Deferred Sales Tax Payable and Obligation under Excess Revenue Fund. In 2011, the deferred sales tax payable balance decreased by \$3,271,098 due to the seventh installment payment made. In 2011, the District and the Mariners mutually approved the unanticipated capital costs incurred in 2011 totaling \$946,895, which will be reimbursed to the Mariners from the Excess Revenue Fund. The District made a payment of \$2,877,000 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 seventh of ten installment payments was made on December 21, 2011.

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
PUBLIC FACILITIES DISTRICT**

Balance Sheet
December 31, 2011

Assets

Current Assets:

Cash and cash equivalents (Note 6)	\$ 3,755,294
Receivables	27,087
Prepaid expenses	519

Total Current Assets **3,782,900**

Capital Assets - Noncurrent (Note 2):

Baseball stadium	491,451,538
Parking garage	24,873,877
Land	38,424,405
Furniture, fixtures and equipment	64,981
Accumulated depreciation	(157,834,303)

Total Capital Assets - Noncurrent **396,980,498**

Total Assets **\$ 400,763,398**

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 73,119
Wages and vacation payable	2,098
Deferred sales tax payable - current (Note 4)	3,271,098

Total Current Liabilities **3,346,315**

Deferred sales tax payable - noncurrent (Note 4)	6,542,199
Obligation under excess revenue fund - noncurrent (Note 8)	21,026,907

Total Liabilities **30,915,421**

Net Assets:

Invested in capital assets net of related debt	366,140,294
Unrestricted	3,707,683

Total Net Assets **369,847,977**

Total Liabilities and Net Assets **\$ 400,763,398**

The accompanying notes are an integral part of this financial statement.

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

***Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2011***

Operating Revenues

Admission tax revenue (Note 8)	\$ 2,861,185
Ballpark rent (Note 7)	905,219
Parking tax revenue	<u>38,257</u>
Total operating revenues	<u>3,804,661</u>

Operating Expenses

General and administrative	(651,803)
Depreciation	<u>(12,908,135)</u>
Total operating expenses	<u>(13,559,938)</u>
Total Operating Loss	(9,755,277)

Non-Operating Revenues and Expenses

Interest earnings	64,290
Unrealized investment loss	(19,767)
Interest expense	<u>(745,818)</u>
Total Non-Operating Loss	<u>(701,295)</u>
Total Decrease in Net Assets	(10,456,572)

Net Assets - January 1, 2011	377,057,451
Capital contribution	<u>3,247,098</u>
Net Assets - December 31, 2011	<u>\$ 369,847,977</u>

The accompanying notes are an integral part of this financial statement.

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

***Statement of Cash Flows
For the Year Ended December 31, 2011***

Cash Flows from Operating Activities:	
Payment on operating expenses	\$ (600,062)
Payment on deferred sales tax payable	(3,271,098)
Admission tax revenue	2,861,185
Parking tax revenue	38,257
Rent	<u>905,219</u>
Cash Used in Operating Activities	(66,499)
Cash Flows from Investing Activities:	
Interest earnings	40,501
Investment loss on cash and cash equivalents	(19,767)
Payment for fixed assets	<u>(4,108)</u>
Cash Provided by Investing Activities	16,626
Cash Flows from Capital and Related Financing Activities:	
Capital contribution	3,247,098
Payment of obligation under excess revenue fund	<u>(2,877,000)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>370,098</u>
Net Change in Cash and Cash Equivalents	320,225
Cash and Cash Equivalents - January 1, 2011	<u>3,435,069</u>
Cash and Cash Equivalents - December 31, 2011	<u><u>\$ 3,755,294</u></u>
<i>Reconciliation to Operating Loss</i>	
Operating loss	\$ (9,755,277)
Adjustment to reconcile net cash from operating activities:	
	12,908,135
Changes in assets/liabilities:	
	39,481
	(226)
	12,486
	<u>(3,271,098)</u>
Cash Used in Operating Activities	<u><u>\$ (66,499)</u></u>

The accompanying notes are an integral part of this financial statement.

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

Notes to Financial Statements

For the Year Ended December 31, 2011

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Washington State Major League Baseball Stadium Public Facilities District conform to generally accepted accounting principles (GAAP) as applicable to special purpose governments. The District has elected not to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles): The significant accounting policies are described below.

The Reporting Entity - The Washington State Major League Baseball Stadium Public Facilities District (PFD or 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 PFD uses the accrual basis of accounting. Expenses are recorded at the time liabilities are incurred and revenues are recorded when earned.

Accounting Standards - The PFD is not applying the Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

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

Cash and Cash Equivalents - For 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 PFD based upon the PFD'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.

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

Notes to Financial Statements

For the Year Ended December 31, 2011

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, 2011.

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. The accrual for unused vacation is included in wages and vacation payable in the accompanying balance sheet.

Note 2 - Capital Assets

The following is a summary of changes in capital assets:

	<i>Balance December 31, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance December 31, 2011</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	491,246,353	205,185		491,451,538
Parking garage	24,873,877			24,873,877
Furniture, fixtures, and equipment	64,981			64,981
	516,185,211	205,185		516,390,396
Accumulated Depreciation-				
Baseball stadium	138,020,870	12,286,288		150,307,158
Parking garage	6,840,317	621,847		7,462,164
Furniture, fixtures, and equipment	64,981			64,981
	144,926,168	12,908,135		157,834,303
Total Capital Assets Being Depreciated	371,259,043	(12,702,950)		358,556,093
Total Net Capital Assets	\$ 409,683,448	\$(12,702,950)	\$ -	\$ 396,980,498

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

Notes to Financial Statements

For the Year Ended December 31, 2011

Note 3 - Employee Benefit Plans

All employees of the District can participate in either the Public Employees' Retirement System (PERS) or the Stadium 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, 2011, was \$34,846.

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 PFD Board of Directors adopted participation in the PERS Plan in 1996. PFD did not have any employee participating in PERS during 2011.

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 2011.

Note 4 - Deferred Sales Tax Payable

PFD 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, 2011, total sales taxes deferred were \$9,813,297.

Estimated annual payments on deferred sales tax payable are as follows:

For the Year Ending December 31,

2012	3,271,098
2013	3,271,098
2014	3,271,101
	<hr/>
\$	9,813,297
	<hr/> <hr/>

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 PFD. Additionally, the Mariners have contributed \$124,703,119 for the construction in prior years and \$3,247,098 in 2011. The contributed capital is included in the net assets 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, 2011

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 Club runs through 2018, and calls for base rent of \$700,000 per year, with an annual CPI index adjustment. Rent for the 2011 season was \$905,219. 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 Club 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 PFD and the Club, 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. This tax will fund the Excess Revenue Fund only after the taxable bond issue (the parking garage bonds) has been retired. 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 \$21,026,907 at December 31, 2011.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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