

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

Financial Statements

For the Year Ended December 31, 2017

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## Independent Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of Washington State Major League Baseball Stadium Public Facilities District (the District), which comprise of the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.



Certified Public Accountants  
March 27, 2018



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

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

**Management's Discussion and Analysis  
December 31, 2017**

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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 challenges.

The Management's 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, deferred outflows, liabilities, deferred inflows and net position. 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, 2017**

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**Financial Highlights**

- The District's net position decreased by \$7,725,228 as a result of current year operations. This is primarily due to an increase of \$362,629 in general and administrative expenses when compared to prior year and annual depreciation expense of \$12,985,012, partially offset by \$6,076,766 in operating revenues.
- The District's total capital assets decreased by \$12,483,158, primarily due to annual depreciation expense totaling \$12,985,012 offset by additions of \$501,854.

**Financial Analysis**

**Overall Analysis** - The District's overall financial position did not change significantly from the previous year.

<b>Balance Sheets as of December 31,</b>	<u>2017</u>	<u>2016</u>
Current assets	\$ 17,053,781	\$ 12,251,753
Net capital assets	<u>322,582,809</u>	<u>335,065,967</u>
<b>Total Assets</b>	<b><u>\$ 339,636,590</u></b>	<b><u>\$ 347,317,720</u></b>
Current liabilities	<u>\$ 76,384</u>	<u>\$ 32,286</u>
<b>Total Liabilities</b>	<b>76,384</b>	<b>32,286</b>
Invested in capital assets, net of related debt	322,582,809	335,065,967
Unrestricted	<u>16,977,397</u>	<u>12,219,467</u>
<b>Total Net Position</b>	<b><u>339,560,206</u></b>	<b><u>347,285,434</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 339,636,590</u></b>	<b><u>\$ 347,317,720</u></b>

**Total Assets** - Total assets decreased by \$7,681,130 during 2017. The most significant component of this decrease was depreciation of the capital assets.

**Total Liabilities** - Total liabilities increased by \$44,098 during 2017 and was related to outstanding accounts payable balance at year end. There was no new debt obligation.

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

**Management's Discussion and Analysis  
December 31, 2017**

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**Financial Analysis (Continued)**

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

Invested in Capital Assets - Balance decreased by \$12,483,158 during 2017. The decrease is primarily due to depreciation of capital assets totaling \$12,985,012, which was partially offset by additions to capital assets totaling \$501,854.

Unrestricted - Unrestricted net position increased by \$4,757,930 from \$12,219,467 at December 31, 2016, to \$16,977,397 at December 31, 2017.

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

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 6,076,766	\$ 5,814,687
Operating expenses	<u>(13,913,332)</u>	<u>(13,520,256)</u>
<b>Total Operating Loss</b>	<b>(7,836,566)</b>	<b>(7,705,569)</b>
Nonoperating revenues (expenses)	<u>111,338</u>	<u>(132,066)</u>
<b>Total Change in Net Position</b>	<b>(7,725,228)</b>	<b>(7,837,635)</b>
Net position, beginning of year	<u>347,285,434</u>	<u>355,123,069</u>
<b>Net Position, End of Year</b>	<b><u>\$ 339,560,206</u></b>	<b><u>\$ 347,285,434</u></b>

**Operating Revenues** - During 2017, operating revenues increased \$262,079 primarily due to an increase of \$179,165 in admission tax revenue. The other revenue streams remain consistent from the previous year.

**Operating Expenses** - Operating expenses of the District consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Insurance	\$ 124,867	\$ 126,258
Professional fees	769,914	413,871
Personnel	6,200	3,000
Other	27,339	22,562
Depreciation	<u>12,985,012</u>	<u>12,954,565</u>
<b>Total Operating Expenses</b>	<b><u>\$ 13,913,332</u></b>	<b><u>\$ 13,520,256</u></b>

**Nonoperating revenues** - Nonoperating revenues reflected an increase of \$243,404 from prior year due to \$266,692 in interest paid during 2016 on the obligation under excess revenue fund of which the debt was also paid off in 2016.

**Capital Contribution** - During the year ended December 31, 2017, there was no capital contribution or withdrawal.

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

**Management's Discussion and Analysis  
December 31, 2017**

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**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 2017, the District's total capital assets balance decreased by \$12,483,158 from the prior year primarily due to depreciation.

In 2016, the District made a payment of \$9,760,950 to pay off the obligation under excess revenue fund. See Note 8 of the financial statements for further discussion of the obligation under excess revenue fund. There was no new debt obligation in 2017.

**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, 2017

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**Assets**

**Current Assets:**

Cash and cash equivalents (Note 5)	\$ 16,994,875
Receivables	36,603
Prepaid expenses	<u>22,303</u>

**Total Current Assets** **17,053,781**

**Capital Assets - Noncurrent (Note 2):**

Baseball stadium	494,760,577
Parking garage	24,873,877
Land	38,424,405
Furniture, fixtures and equipment	82,967
Accumulated depreciation	<u>(235,559,017)</u>

**Total Capital Assets, Net - Noncurrent** **322,582,809**

**Total Assets** **\$ 339,636,590**

**Liabilities and Net Position**

**Current Liabilities:**

Accounts payable	<u>\$ 76,384</u>
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**Total Current Liabilities** **76,384**

**Net Position:**

Invested in capital assets	322,582,809
Unrestricted	<u>16,977,397</u>

**Total Net Position** **339,560,206**

**Total Liabilities and Net Position** **\$ 339,636,590**

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, 2017**

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<b>Operating Revenues:</b>	
Restaurant tax revenue	\$ 70,724
Admission tax revenue (Note 7)	4,482,570
Ballpark rent (Note 6)	1,026,266
Parking tax revenue (Note 7)	<u>497,206</u>
<b>Total Operating Revenues</b>	<b>6,076,766</b>
<b>Operating Expenses:</b>	
General and administrative	928,320
Depreciation	<u>12,985,012</u>
<b>Total Operating Expenses</b>	<b><u>13,913,332</u></b>
<b>Total Operating Loss</b>	<b>(7,836,566)</b>
<b>Nonoperating Revenues (Expenses):</b>	
Interest earnings	157,007
Unrealized investment loss	<u>(45,669)</u>
<b>Total Nonoperating Revenues</b>	<b><u>111,338</u></b>
<b>Change in Net Position</b>	<b>(7,725,228)</b>
Net position, January 1, 2017	<u>347,285,434</u>
<b>Net Position, December 31, 2017</b>	<b><u><u>\$ 339,560,206</u></u></b>

See accompanying notes and independent accountant's compilation report.

WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM  
PUBLIC FACILITIES DISTRICT

Statement of Cash Flows  
For the Year Ended December 31, 2017

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**Cash Flows From Operating Activities:**

Cash paid for operating expenses	\$ (931,136)
Cash receipts from restaurant taxes	70,724
Cash receipts from admission taxes	4,482,570
Cash receipts from parking taxes	532,468
Cash receipts from rental income	<u>1,026,266</u>

**Total Cash Provided by Operating Activities** **5,180,892**

**Cash Flows From Investing Activities:**

Interest earnings	148,531
Insurance proceeds, net of capital costs	
Payment for capital assets	(501,854)
Interest paid for obligation under excess revenue fund	

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**Total Cash Used in Investing Activities** **(353,324)**

**Net Change in Cash and Cash Equivalents** **4,827,568**

Cash and cash equivalents, January 1, 2017 12,167,307

**Cash and Cash Equivalents, December 31, 2017** **\$ 16,994,875**

**Reconciliation to Operating Loss:**

Operating loss	\$ (7,836,566)
Adjustment to reconcile net cash provided by operating activities-	
Depreciation	12,985,012
Unrealized investment loss	(45,669)
Changes in assets/liabilities-	
Accounts receivables	35,262
Accounts payable	44,098
Prepaid expenses	<u>(1,245)</u>

**Cash Provided by Operating Activities** **\$ 5,180,892**

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, 2017**

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**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 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 restaurant tax, admission tax 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.

**Receivables** - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at December 31, 2017. Accordingly, no allowance for doubtful accounts has been recorded.

**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 and an estimated useful life greater than one year.

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, 2017.

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

**Notes to Financial Statements  
For the Year Ended December 31, 2017**

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**Note 1 - Continued**

**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, 2017.

**Reclassifications** - Certain reclassifications have been made to the 2016 amounts to conform to the 2017 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets, or change in net position for 2016.

**Subsequent Events** - The District has evaluated subsequent events through March 27, 2018, the date on which the financial statements were available to be issued.

**Note 2 - Capital Assets**

The following is a summary of changes in capital assets:

	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 38,424,405	\$ -	\$ -	\$ 38,424,405
<b>Total Capital Assets Not Being Depreciated</b>	<b>38,424,405</b>			<b>38,424,405</b>
<b>Capital Assets Being Depreciated:</b>				
Capital assets cost-				
Baseball stadium	494,258,723	501,854		494,760,577
Parking garage	24,873,877			24,873,877
Furniture, fixtures and equipment	82,967			82,967
	519,215,567	501,854		519,717,421
Accumulated depreciation-				
Baseball stadium	211,919,905	12,362,899		224,282,804
Parking garage	10,571,399	621,847		11,193,246
Furniture, fixtures and equipment	82,701	266		82,967
	222,574,005	12,985,012		235,559,017
<b>Total Capital Assets Being Depreciated, Net</b>	<b>296,641,562</b>	<b>(12,483,158)</b>		<b>284,158,404</b>
<b>Total Capital Assets, Net</b>	<b>\$ 335,065,967</b>	<b>\$ (12,483,158)</b>	<b>\$ -</b>	<b>\$ 322,582,809</b>

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

**Notes to Financial Statements  
For the Year Ended December 31, 2017**

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**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 (the Plan). Employer contributions are paid by the District in accordance with rates specified by the individual plans.

**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. No District employees participated in PERS during 2017.

**Stadium PFD Retirement Plan** - Employees are able to select 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. No District employee participated in the Plan during 2016.

**Note 4 - 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 issuance were contributed to the District. Additionally, the Baseball Club of Seattle, LP (the Mariners) contributed \$137,598,950 for the construction in prior years. During the year ended December 31, 2017, there was no withdrawal. The contributed capital is included in the net position invested in capital assets.

**Note 5 - 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.

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

**Notes to Financial Statements  
For the Year Ended December 31, 2017**

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**Note 6 - 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 \$1,400,000, with an annual CPI index adjustment. Rent income for the 2017 season was \$1,026,266. The lease has two five-year extension options.

**Note 7 - 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 have the right to obtain reimbursement from the Fund for costs of repairs or maintenance that fall under the definition of "Unanticipated Capital Costs," prior to funds being available. 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 Fund is a 5% admission tax and 10% parking 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. The obligation was paid off in 2016.

**Note 8 - Stewardship, Compliance and Accountability**

There have been no material violations of finance-related, legal or contractual provisions.