



**Office of the Washington State Auditor
Pat McCarthy**

December 2, 2020

Board and Executive Director
Washington State Major League Baseball Stadium Public Facilities District
P.O. Box 94445
Seattle, WA 98124

Dear Board and Executive Director:

We are pleased to notify you regarding the conclusion of our audit of the Washington State Major League Baseball Stadium Public Facilities District for fiscal year 2019.

An exit conference was held on December 2, 2020 to discuss the results of our audit. The attached items were discussed in detail with those in attendance, which included the Executive Director, Office Manager, and two members of the board. We also took the opportunity to extend our appreciation to your staff for their cooperation and assistance during the course of the audit.

We are always available to discuss the results of our audit in further detail at your convenience. If you have any questions, feel free to contact me at Carmen.La@sao.wa.gov.

Sincerely,

Carmen La, Auditor in Charge
Enclosure



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: Washington State Major League Baseball Stadium Public Facilities District

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Highlights

- We would like to thank Joshua Curtis and Sharon Bruckart for their assistance during the course of the audit as it is both of their first state audits.
- We are pleased to report no findings for the fiscal year 2019 audit.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2019 through December 31, 2019 – see draft report.
- Financial statement audit for January 1, 2019 through December 31, 2019 - see draft report.

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized listed below. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.
 - On the Statement of Revenues, Expenses, and Changes in Net Position, the District reported capital contributions after the beginning net position. Per BARS 4.3.4.90, Capital contributions should be reported before the beginning net position. This was only a presentation issue and there was no impact on the financial statement.
- There were no material misstatements in the financial statements corrected by management during the audit.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Management Representation Letter

We have requested a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$11,400 and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in October 2021 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement

The estimated cost for the next audit based on current rates is \$11,400 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal single audit requirements. Federal awards can include grants, loans, and non-cash assistance such as equipment and supplies.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS) and annual online filing technical assistance, provides accounting, reporting and BARS training. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS manuals, access to resources and recorded trainings, and additional accounting and reporting resources. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you, help the residents you serve at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective and transparent. The Center also provides financial management technical advice and best practices and resources. These can be accessed from the “Improving Government” tab of our SAO website and help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to other local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. If you are interested in learning

how the Center can help you maximize your effect in government, call them at (564) 999-0818 or email them at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Mark Rapozo, CPA, Assistant Director of Local Audit, (564) 999-0794 Mark.Rapozo@sao.wa.gov

Joe Simmons, CPA, Audit Manager, (206) 615-0557, Joseph.Simmons@sao.wa.gov

Sherry Chang, Assistant Audit Manager, (206) 263-2691, Sherry.Chang@sao.wa.gov

Carmen La, Audit Lead, (206) 263- 2847, Carmen.La@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Washington State Major League Baseball Stadium Public Facilities District

For the period January 1, 2019 through December 31, 2019

Published (Inserted by OS)

Report No. 1027399





Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Board of Directors

Washington State Major League Baseball Stadium 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 Office of the Washington State Auditor 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.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff, and we value your cooperation during the audit.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Washington State Major League Baseball Stadium Public Facilities District from January 1, 2019 through December 31, 2019.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial Condition: we analyzed the financial sustainability of the District and we followed up regarding the District's plans to mitigate the impact of COVID-19.
- Revenue Sharing: we reviewed the District's contract with the Mariners and recalculated the revenue sharing amount based on the agreement.

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Washington State and King County created the Washington State Major League Baseball Stadium Public Facilities District by joint action. The District operates as a municipal corporation of the state of Washington and was formed to research a site and design, build and operate a major league baseball park. In December 1996, the District signed a lease with the Mariners owners.

On March 8, 1997, ground was broken, and on April 2, 1997, bonds totaling \$336 million were sold to finance construction. The ballpark opened with construction completed on July 15, 1999. The Seattle Mariners started paying rent on the stadium in accordance with the lease agreement.

The District is governed by a seven-member Board of Directors. Directors are appointed by King County and state government. Annual rental revenue totaled \$1.5 million in 2019.

Contact information related to this report

Address:	Washington State Major League Baseball Stadium Public Facilities District P.O. Box 94445 Seattle, WA 98124
Contact:	Joshua Curtis, Executive Director
Telephone:	(206) 664-3079
Website:	www.ballpark.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Washington State Major League Baseball Stadium 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.

Contact information for the State Auditor’s Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State Major League Baseball Stadium Public Facilities District

For the period January 1, 2019 through December 31, 2019

Published (Inserted by OS)

Report No. 1027400





Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Washington State Major League Baseball Stadium Public Facilities District
January 1, 2019 through December 31, 2019**

Board of Directors

Washington State Major League Baseball Stadium Public Facilities District
Seattle, Washington

We have audited, 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, the financial statements of the Washington State Major League Baseball Stadium Public Facilities District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2020.

As discussed in Note 8 to the financial statements, the effects of the COVID-19 pandemic could lead to a reduction in the District's revenues.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

December 2, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Major League Baseball Stadium Public Facilities District January 1, 2019 through December 31, 2019

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington State Major League Baseball Stadium Public Facilities District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 to the financial statements, the effects of the COVID-19 pandemic could lead to a reduction in the District's revenues. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 our 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

December 2, 2020

FINANCIAL SECTION

Washington State Major League Baseball Stadium Public Facilities District January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Balance Sheet – 2019

Statement of Revenues, Expenses and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM PUBLIC FACILITIES DISTRICT

Management's Discussion and Analysis December 31, 2019

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.

Reporting Entity

The District is governed by a seven-member board of directors. Four directors are appointed by the King County Executive subject to confirmation by the King County Council, while the remaining three directors are appointed by the Governor based on one recommendation each from the Speaker of the House and the Majority Leader of the Senate. The mission of the District is to maintain and enhance the baseball park in order to promote the success of Major League Baseball in the State of Washington, enhance fan enjoyment and contribute to an economically successful, safe, desirable, innovative, and walkable stadium neighborhood.

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.

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

**Management's Discussion and Analysis
December 31, 2019**

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.

Financial Highlights

- The District's net position increased by \$2,463,534 as a result of a capital contribution of \$3,250,000 received in 2019 which was partially offset by \$786,466 in loss after nonoperating revenues. Total operating revenues of \$12,494,922, which included a new revenue sharing revenue stream totaling \$5,763,965, was not adequate to cover total operating expenses of \$13,885,047.
- The District's total capital assets increased by \$2,002,324, primarily due to additions of \$15,262,505 offset by annual depreciation expense totaling \$13,260,181.

Financial Analysis

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

Balance Sheet

As of December 31,

	<u>2019</u>	<u>2018</u>
Current assets	\$ 20,158,171	\$ 18,104,910
Net capital assets	<u>317,381,536</u>	<u>315,379,212</u>
Total Assets	<u>\$ 337,539,707</u>	<u>\$ 333,484,122</u>
Current liabilities	<u>\$ 2,867,660</u>	<u>\$ 1,275,609</u>
Total Liabilities	2,867,660	1,275,609
Invested in capital assets, net of related debt	317,381,536	315,379,212
Unrestricted	<u>17,290,511</u>	<u>16,829,301</u>
Total Net Position	<u>334,672,047</u>	<u>332,208,513</u>
Total Liabilities and Net Position	<u>\$ 337,539,707</u>	<u>\$ 333,484,122</u>

Total Assets - Total assets increased by \$4,055,585 during 2019. The most significant components of this increase were the additions to fixed assets and the new neighborhood improvement fund.

Total Liabilities - Total liabilities increased by \$1,592,051 during 2019 and was related to outstanding accounts payable balance at year end. The majority of the outstanding accounts payable balance was related to ballpark capital improvements. There was no new debt obligation.

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

**Management's Discussion and Analysis
December 31, 2019**

Financial Analysis (Continued)

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

Invested in Capital Assets - Balance increased by \$2,002,324 during 2019. The increase is primarily due to the addition of capital assets totaling \$15,262,505, which was partially offset by depreciation to capital assets totaling \$13,260,181.

Unrestricted - Unrestricted net position increased by \$461,210 from \$16,829,301 at **December 31, 2018**, to \$17,290,511 at December 31, 2019.

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

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 12,494,922	\$ 7,073,130
Operating expenses	<u>(13,885,047)</u>	<u>(14,702,081)</u>
Total Operating Loss	(1,390,125)	(7,628,951)
Nonoperating revenues	<u>603,659</u>	<u>277,258</u>
Total Change in Net Position	(786,466)	(7,351,693)
Net position, beginning of year	332,208,513	339,560,206
Capital contribution	<u>3,250,000</u>	<u></u>
Net Position, End of Year	<u>\$ 334,672,047</u>	<u>\$ 332,208,513</u>

Operating Revenues - During 2019, operating revenues increased \$5,421,792 primarily due to the addition of the Mariner revenue sharing stream totaling \$5,763,965 and an increase of \$856,305 in ballpark rent income. These increases are due to the implementation of a new lease agreement which established an Annual Revenue Sharing program with the Mariners Club and increased the ballparks base rental income (See Note 6 for more detail). These revenue increases were partially offset by a decrease of \$856,305 in admission tax revenue due to a 22% decrease in paid attendance from \$2.3 million in 2018 to \$1.8 million in 2019. The other main revenue streams remain consistent from the previous year.

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

**Management's Discussion and Analysis
December 31, 2019**

Financial Analysis (Continued)

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

	<u>2019</u>	<u>2018</u>
Depreciation	\$ 13,260,181	\$ 13,083,530
Professional fees	551,733	1,476,338
Insurance	33,982	116,892
Other	32,001	18,721
Personnel	<u>7,150</u>	<u>6,600</u>
Total Operating Expenses	<u>\$ 13,885,047</u>	<u>\$ 14,702,081</u>

Total operating expenses reflected a decrease of \$817,034 in 2019 primarily due to a decrease of \$993,685 in general and administrative expenses when compared to prior year. In 2018, the District incurred significant amounts of legal fees and consulting fees due to the execution of the new long-term lease with the Mariners. The decrease in operating expenses was offset by an increase of \$176,651 in depreciation expense due to additions of capital assets (see Capital Assets and Long-Term Debt Activity).

Nonoperating Revenues - Nonoperating revenues reflected an increase of \$326,401 from prior year due to an increase of \$203,129 in interest earnings and the District reported an increase in unrealized gain on investment of \$123,272 over the prior year.

Capital Contribution - During the year ended December 31, 2019, there was \$3,235,000 of capital contributions from the Mariners and no withdrawals.

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 2019, the District's total capital assets balance increase by \$2,002,324 from the prior year primarily due to improvements made to the baseball stadium.

There was no new debt obligation in 2019.

Financial Summary and Economic Factors That Will Affect the Future

Prior to the COVID-19 pandemic, the Mariners had anticipated a decline in attendance in 2020. This anticipated decline in attendance along with the expectation that at least half of the season will be cancelled due to COVID-19 could lead to a 75% to 80% reduction in the District's revenues including revenue sharing, admission tax revenue and parking tax revenue.

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

**Management's Discussion and Analysis
December 31, 2019**

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, 2019

Assets

Current Assets:

Cash and cash equivalents (Note 5)	\$ 19,991,977
Accounts receivable	146,255
Other receivables	7,464
Prepaid expenses	<u>12,475</u>

Total Current Assets **20,158,171**

Capital Assets Net of Accumulated Depreciation (Note 2):

Baseball stadium	515,903,015
Parking garage	24,873,877
Furniture, fixtures and equipment	<u>82,967</u>

	540,859,859
Less accumulated depreciation	<u>(261,902,728)</u>

278,957,131

Capital Assets Not Being Depreciated (Note 2):

Land	<u>38,424,405</u>
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Total Capital Assets **317,381,536**

Total Assets **\$ 337,539,707**

Liabilities and Net Position

Current Liabilities:

Accounts payable	<u>\$ 2,867,660</u>
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Total Current Liabilities **2,867,660**

Net Position:

Invested in capital assets	317,381,536
Unrestricted	<u>17,290,511</u>

Total Net Position **334,672,047**

Total Liabilities and Net Position **\$ 337,539,707**

See accompanying notes

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

**Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2019**

Operating Revenues:

Revenue sharing (Note 6)	\$ 5,763,965
Admission tax revenue (Note 6)	4,566,271
Ballpark rent (Note 6)	1,500,000
Parking tax revenue (Note 6)	651,925
Restaurant tax revenue	<u>12,761</u>

Total Operating Revenues **12,494,922**

Operating Expenses:

General and administrative	624,866
Depreciation	<u>13,260,181</u>

Total Operating Expenses **13,885,047**

Total Operating Loss **(1,390,125)**

Nonoperating Revenues:

Interest earnings	452,370
Unrealized investment gain	<u>151,289</u>

Total Nonoperating Revenues **603,659**

Change in Net Position **(786,466)**

Net position, January 1, 2019 332,208,513

Capital contribution 3,250,000

Net Position, December 31, 2019 **\$ 334,672,047**

See accompanying notes

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

**Statement of Cash Flows
For the Year Ended December 31, 2019**

Cash Flows From Operating Activities:	
Cash receipts from revenue sharing	\$ 5,763,965
Cash receipts from ballpark rent	4,566,271
Cash receipts from rental income	1,500,000
Cash receipts from parking taxes	609,965
Cash receipts from restaurant taxes	12,761
Cash payments for operating expenses	<u>(689,416)</u>
Total Cash Provided by Operating Activities	11,763,546
Cash Flows From Capital and Related Financing Activities:	
Capital contribution	<u>3,250,000</u>
Net Cash Provided by Capital and Related Financing Activities	3,250,000
Cash Flows From Investing Activities:	
Interest earnings	605,143
Payment for capital assets	<u>(13,596,654)</u>
Total Cash Used in Investing Activities	<u>(12,991,511)</u>
Net Change in Cash and Cash Equivalents	2,022,035
Cash and cash equivalents, January 1, 2019	<u>17,969,942</u>
Cash and Cash Equivalents, December 31, 2019	<u>\$ 19,991,977</u>
Reconciliation to Operating Loss:	
Operating loss	\$ (1,390,125)
Adjustment to reconcile net cash provided by operating activities-	
Depreciation	13,260,181
Changes in assets/liabilities-	
Accounts receivable	(41,960)
Accounts payable	(73,800)
Prepaid expenses	<u>9,250</u>
Total Cash Provided by Operating Activities	\$ 11,763,546
Noncash investing activities:	
Capital asset purchases in accounts payable	\$ 1,665,851

See accompanying notes

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

**Notes to Financial Statements
For the Year Ended December 31, 2019**

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 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 Mariner revenue sharing, 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, 2019. 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, 2019.

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

**Notes to Financial Statements
For the Year Ended December 31, 2019**

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, 2019.

Subsequent Events - The District has evaluated subsequent events through April 23, 2020, 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, 2018	Increases	Decreases	Balance December 31, 2019
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	500,640,510	15,262,505		515,903,015
Parking garage	24,873,877			24,873,877
Furniture, fixtures and equipment	82,967			82,967
	525,597,354	15,262,505		540,859,859
Accumulated depreciation-				
Baseball stadium	(236,744,487)	(12,638,334)		(249,382,821)
Parking garage	(11,815,093)	(621,847)		(12,436,940)
Furniture, fixtures and equipment	(82,967)			(82,967)
	(248,642,547)	(13,260,181)		(261,902,728)
Total Capital Assets Being Depreciated, Net	276,954,807	2,002,324		278,957,131
Total Capital Assets, Net	\$315,379,212	\$ 2,002,324	\$ -	\$317,381,536

WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM PUBLIC FACILITIES DISTRICT

Notes to Financial Statements For the Year Ended December 31, 2019

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 2019.

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 2019.

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, 2019, the Mariners contributed \$3,235,000. 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, 2019

Note 6 - Significant Revenues

The District's total revenues are primarily comprised of the following:

Revenue Sharing - The revenue sharing provision calls for a 1.5% tax on the first \$100 million in revenue subject to the admissions tax, then 2% of all revenue subject to the admissions tax above \$100 million with no minimum and no cap. The \$100 million revenue threshold will be adjusted every year by CPI escalation. The District will contribute 100% of the annual revenue share to the capital expenditure fund.

Admission Tax Revenue - This represents tax on ballpark admissions authorized by RCW 36.38.010.

Ballpark Rent - The original lease between the District and the Mariners, which expired on December 31, 2018, was amended and restated effective January 1, 2019. The amended 25 year lease calls for a minimum annual base rent of \$1,500,000 for each lease year during the term, with an annual CPI index adjustment. The lease has two renewal periods, each with a term of three lease years. Rent income for the 2019 season was \$1,500,000.

Parking Tax Revenue - This represents tax on parking facility charges authorized by RCW 36.100.220.

Note 7 - Stewardship, Compliance and Accountability

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

Note 8 - Subsequent Event Related to COVID-19

Prior to the COVID-19 pandemic, the Mariners had anticipated a decline in attendance in 2020. This anticipated decline in attendance along with the expectation that at least half of the season will be cancelled due to COVID-19 could lead to a 75% to 80% reduction in the District's revenues including revenue sharing, admission tax revenue and parking tax revenue.

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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