Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Washington State Public Stadium Authority

King County

For the period July 1, 2013 through June 30, 2014

Published December 29, 2014

Report No. 1013250

Washington State Auditor
Troy Kelley

December 29, 2014

Board of Directors
Washington State Public Stadium Authority
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Washington State Public Stadium Authority's financial statements.

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

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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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 Public Stadium Authority
King County
July 1, 2013 through June 30, 2014

Board of Directors
Washington State Public Stadium Authority
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 Public Stadium Authority, King County, Washington, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Stadium Authority's basic financial statements, and have issued our report thereon dated December 18, 2014. As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the Stadium Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Stadium Authority'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 Stadium Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stadium Authority'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 Stadium Authority'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 Stadium Authority's financial statements are free from material misstatement, we performed tests of the Stadium Authority'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 Stadium Authority'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 Stadium Authority'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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 18, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Public Stadium Authority
King County
July 1, 2013 through June 30, 2014

Board of Directors
Washington State Public Stadium Authority
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington State Public Stadium Authority, King County, Washington, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Stadium Authority's basic financial statements as listed on page 9.

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 audits. We conducted our audits 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 Stadium Authority'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 Stadium Authority'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 Public Stadium Authority, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the Stadium Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 10 through 19 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 on our consideration of the Stadium Authority'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 Stadium Authority's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 18, 2014

FINANCIAL SECTION

Washington State Public Stadium Authority
King County
July 1, 2013 through June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014 and 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014 and 2013
Statement of Revenues, Expenses and Changes in Net Position – 2014 and 2013
Statement of Cash Flows – 2014 and 2013
Notes to Financial Statements – 2014 and 2013

Our discussion and analysis of the Washington State Public Stadium Authority's (the “Authority” or “PSA”) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements.

FISCAL YEAR 2014 HIGHLIGHTS

The Washington State Public Stadium Authority (PSA) was created under Referendum 48, a ballot initiative passed by voters authorizing public funds to build a football/soccer stadium, exhibition center and parking garage. The Referendum established the PSA as the public owner of the facilities, with responsibility for overseeing siting, design, construction and operation of the $430 million complex. With construction completed in 2002, the chief role of the PSA shifted to ensuring the public’s interests remain represented and protected in the maintenance and renewal of the facilities. The PSA accomplishes its oversight responsibilities through implementation of the terms and conditions of its Master Lease Agreement with First & Goal Inc. (FGI), the facility operator.

In pursuit of its mission, the PSA has worked to ensure that CenturyLink Field & Exhibition Center:

- Is accessible and of high quality,
- Provides economic and entertainment benefits to residents from across the State of Washington,
- Attracts families and individuals of all incomes and interests,
- Is an asset and a symbol of pride to its residential and business neighbors, and to all Washington state residents,
- Remains a showcase that will attract national and international sports, entertainment and trade events and visitors for many decades to come, and
- Serves as a national model for public-private partnerships.

Public-Private Partnership

Under an innovative public-private partnership, the PSA and First & Goal Inc. have worked together to construct and operate this world-class football/soccer stadium and exhibition center. The vision for this unique partnership was created by the Washington State Legislature in 1997 and has attracted attention nationally.

CenturyLink Event Center

The event center was dedicated in October 1999; just one year after construction began on the facility. With 325,000 square feet of exhibit space in the main facility and an additional 78,940 square feet in the stadium’s west concourse, the event center is host to consumer shows, trade shows, concerts, job fairs, and pre-game activities for professional sporting events. In November 2006, WaMu Theater opened in CenturyLink Field & Event Center. This mid-size state-of-the-art music and live entertainment venue offers additional entertainment opportunities for the region. The theater can also accommodate corporate and social events, television productions and other hospitality-related functions.

Common School Fund Profit Sharing

Twenty percent of the event center net profits go to the State of Washington Permanent Common School Fund for public school improvements. As of June 30, 2014, the net profits due the Permanent Common School Fund from this revenue sharing agreement were estimated to be $409,400 as compared to $301,000 as of June 30, 2013.

CenturyLink Field

Located on the former site of the Kingdome, the 67,000 seat stadium was dedicated on July 19, 2002 - just over two years after construction began. CenturyLink Field serves as home field to the Seattle Seahawks and the Seattle Sounders FC. In addition to professional sporting events, the stadium hosts a wide variety of amateur sporting, entertainment and community events each year including college football, concerts and high school graduations.

The Authority continued its commitment to fulfill the requirements and intent of Referendum 48, and serve as the public owner responsible for overseeing the operations of CenturyLink Field & Event Center. The Stadium Act and Master Lease Agreement with First & Goal Inc. include many obligations of the Master Tenant to properly maintain the facilities as well as provide benefits to the public. The PSA ensured that those obligations and commitments were satisfied.

The Authority also worked with the Master Tenant to enhance fans' experience while attending events at the stadium and event center through approval of facility modifications. Over 2.1 million people attended events at CenturyLink Field & Event Center during 2014. Ongoing efforts to monitor and coordinate with private and public agencies on land use and transportation infrastructure projects planned for the areas surrounding the stadium were also undertaken to ensure the public's investment in these facilities was protected and not compromised by the impacts of new development.

Operations and Financing

- The stadium and event center rent increased from $1,039,338 in 2012 to $1,067,177 in 2013 and to $1,094,217 in 2014. The increase in revenue can be attributed to the annual consumer price indexing authorized by the Master Lease Agreement.

- The PSA recognized naming rights payments of $2,215,979 including $399,603 due from FGI as of June 30, 2014. This amount increased according to the naming rights contract from $2,130,177 in 2013 and $2,072,157 in 2012. The naming rights payment is recorded as non-operating revenue, as it is restricted by statute for the funding of modernization and major maintenance of the stadium and event center. The PSA has recognized approximately $3 million in liabilities related to modernization and major maintenance projects in connection with the naming rights funding as of June 30, 2014.

  This liability will be paid from future naming rights revenue payments received by the PSA.

- Interest and Investment Revenue increased 25% mainly due to larger invested balances and an increase in the market value of the King County Investment Pool. The prior year's interest and investment revenue increased 28% due to increase in the market value of the King County Investment Pool. Administrative expenses remain constant, increasing about $3,000. Total Operating Expenses increased approximately 1.2% due to increased facilities maintenance costs funded by a portion of the naming rights revenue.

- The escrow for deferred sales tax decreased by approximately $3,600,000. The decrease is the net result of a deferred sales tax payment of $3.7 million, and $100,000 of investment income, including an increase in the fair market value from investments held by the escrow's trustee.

INTRODUCTION TO THE FINANCIAL STATEMENTS

The operations of the Authority are grouped into one business type fund for financial reporting purposes. The Authority uses fund accounting to demonstrate legal compliance and to enhance financial management over transactions related to certain functions or activities. This separate accounting includes the operations, deferred sales tax and naming rights accounts.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about the activities and finances of the Authority as a whole.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position reports information about the Authority as a whole and about its activities in a way that helps communicate the financial condition of the Authority. These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's net position is the difference between assets and liabilities. It is one way to measure the Authority's financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial condition is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's funding structures and the condition of the Authority's operating assets, to assess the overall financial health of the Authority.

The Authority's Net Position showed a reduction from a year ago, decreasing from $329.6 million to $316.9 million. This decrease is a trend, which is caused by the depreciation of the stadium, event center, parking garage and furniture, fixtures and equipment. The project was funded with a combination of public and private sector contributions. While the annual depreciation of approximately $15.2 million is considered in the determination of the operating loss, it reduces the net position invested in capital assets and does not affect the unrestricted net position of the Authority.

The following analysis reflects the major components of the Authority's net position.

Condensed Comparative Statement of Net Position:	**NET POSITION**		
	2014	**2013**	**2012**
Current and Other Assets	$ 19,649,226	$ 22,954,278	$ 25,925,350
Capital Assets, Net	311,731,215	326,821,639	341,979,869
Total Assets	331,380,441	349,775,917	367,905,219
Long Term Liabilities	7,400,000	12,219,928	17,913,268
Current Liabilities	7,129,905	7,929,306	7,269,123
Total Liabilities	14,529,905	20,149,234	25,182,391
Net Position:			
Invested in Capital Assets, Net	299,646,833	310,280,876	321,483,715
Restricted	10,401,986	12,346,352	15,008,584
Unrestricted	6,801,717	6,999,455	6,230,530
Total Net Position	$ 316,850,536	$ 329,626,683	$ 342,722,829

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by contractual agreements, enabling legislation, or other legal requirements, decreased from a $7.0 million balance at June 30, 2013 to a $6.8 million balance at June 30, 2014. This is due mainly to the increase of administrative expenses and facilities maintenance costs. The increase from 2012 to 2013 is due mainly to reduced administrative and facilities maintenance costs. The net *invested in capital assets* decreased due mainly to the depreciation of capital assets ($15.2 million) as previously discussed, net of the deferred sales tax payment ($3.7 million). *Restricted net position* represent investments held by the Deferred Sales Tax Escrow account trustee and amounts held in the naming rights account, which are restricted for major maintenance and modernization projects, offset by liabilities related to these restricted assets. *Restricted* net position decreased by $1.9 million from 2013 to 2014 mainly from the $1.2 million net decrease in the noncapital portion of the maintenance and modernization liability (increases restricted net position) and the $400,000 increase in the naming rights investment account (increases restricted net position), net of the $3.7 million decrease in the restricted Deferred Sales Tax investment accounts (decreases restricted net position). Similarly, the $2.7 million decrease in restricted net position from 2012 to 2013 is due to the annual Deferred Sales Tax Payment, net of increases in the naming rights account and changes in the noncapital portion of the maintenance and modernization liability.

A majority of the assets held in the Deferred Sales Tax escrow accounts are invested in zero-coupon municipal bonds. As such, they are highly sensitive to general interest rate levels. During times of declines in interest rates, these assets appreciate in value. However, during times of increasing interest rates the market value of these assets will decline. The maturities of these investments are structured to correlate to the installment payment due dates of the deferred sales tax liability. Since the trustee can only release these assets in amounts and dates to satisfy the deferred sales tax installment payments, it is unlikely that any temporary appreciation or depreciation in the market value will be ultimately realized.

The overall financial position and results of operations have remained stable, due to the designed funding structures. The use and aging of the facility is accounted for by depreciation which reduces the net position obtained from state and private contributions received to construct the stadium, event center and parking garage. The naming rights revenue stream is in place for the next four years to fund modernization and major maintenance needs to keep the facility in proper condition. The investments held in escrow to fund the repayment of the Deferred Sales Tax Liability are sufficient to fund those payments as they become due.

Condensed Comparative Statement of Changes in Net Position:	**CHANGES IN NET POSITION**		
	2014	**2013**	**2012**
Stadium and Exhibition Center Rent	$ 1,094,217	$ 1,067,177	$ 1,039,338
Investment Income and Other	108,175	86,467	67,585
Total Operating Revenues	1,202,392	1,153,644	1,106,923
Administrative Expenses	866,165	863,120	1,259,086
Facilities Maintenance Cost	352,347	159,655	2,905,592
Depreciation	15,231,267	15,231,038	15,442,877
Total Operating Expenses	16,449,779	16,253,813	19,607,555
Net Operating Loss	(15,247,387)	(15,100,169)	(18,500,632)
Deferred Sales Tax Escrow Investment Income	255,261	217,659	699,851
Naming Rights Revenue	2,215,979	2,130,177	2,072,157
Gain or (Loss) on Sale of Assets	-	(15,409)	5,660
Capital Contributions	-	(328,404)	1,037,934
Total Non-Operating Revenue (Expense)	2,471,240	2,004,023	3,815,602
Increase (Decrease) in Net Position	$ (12,776,147)	$ (13,096,146)	$ (14,685,030)

Total revenues increased from $3,173,000 in 2013 to $3,674,000 in 2014. The Authority's operating revenues reflected in the chart above increased 4% ($49,000). Rent from the stadium and event center increased 2.5% ($27,000) due to CPI indexing. Operating investment revenue increased 25% due primarily to the change in market value of the King County investment pool.

The total administrative costs increased by less than 1%. Facilities maintenance expense increased from 2013 by $193,000 due to facility maintenance and FGI administrative fees added to Naming Rights projects. While depreciation causes a net operating loss, it has no cash flow impact, is reflected in net position invested in capital assets and therefore, does not reduce unrestricted net assets. The impact of the revenue and expense changes was an increase in net operating loss of approximately $147,000. Total net non-operating revenue increased by 23% mainly due to the 2013 recording of a capital contribution repayment for excess collections of ticket surcharge that did not reoccur in 2014. As of May of 2012 the surcharge tax on event tickets was discontinued. Previously collected surcharge taxes have been deemed to be in excess of the amount necessary to fund the Deferred Sales Tax liability. As such, the excess amount of $328,000 was recorded as a negative capital contribution and a related liability in 2013. As a result of these changes, net position decreased by approximately $12.8 million.

Budgetary Highlights

The Authority’s Board of Directors adopted the 2014 budget on May 23, 2013. For the year ended June 30, 2014 the Authority’s actual operating expenses were less than budgeted operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the Authority had $312 million invested in its stadium, event center, parking garage facilities, and equipment, net of accumulated depreciation. This amount represents a net decrease of $15 million, or 5%, from last year. Increases in capital assets for both 2013 and 2014 are from costs incurred for major modernization projects and decreases for both years are mainly from the disposal of equipment and annual depreciation. The Master Lease with FGI requires that FGI is responsible for funding all normal maintenance costs for the project. The Authority is responsible for funding major maintenance and modernization costs to the extent of specified funding sources. The funding sources specified by the Authority’s enabling legislation are the proceeds from the sale of naming rights and certain tax proceeds received after the State of Washington’s bonds are retired.

Capital asset activity from July 1, 2012 to June 30, 2014 is summarized in the following two charts.

	July 1, 2013	Increase	Decrease	June 30, 2014
Capital Assets	$ 514,749,176	$ 140,843	$ (19,276)	$ 514,870,743
Accumulated Depreciation	(187,927,537)	(15,231,267)	19,276	(203,139,528)
Net Capital Assets	$ 326,821,639	$ (15,090,424)	$ -	$ 311,731,215

	July 1, 2012	Increase	Decrease	June 30, 2013
Capital Assets	$ 515,298,166	$ 88,874	$ (637,864)	$ 514,749,176
Accumulated Depreciation	(173,318,296)	(15,231,038)	621,797	(187,927,537)
Net Capital Assets	$ 341,979,870	$ (15,142,164)	$ (16,067)	$ 326,821,639

Note 1. H. to the financial statements contains additional information about capital assets.

Debt Administration

The project is funded, in part, from bonds sold by the State of Washington. These bonds represent a general obligation of the State and are repaid from various sources received directly by the State. The Authority recorded receipts of bond proceeds, as they were paid in quarterly draws, as contributions from the State, since bond repayment is not the responsibility of the Authority. The Authority is, however, responsible for repayment of the deferred sales tax (DST) liability incurred on construction costs. Additionally, the Authority is responsible to repay any public revenues, as defined in the enabling legislation, which are received in excess of the statutorily defined $300 million public source limitation. The Authority paid the final amount of $4 million to the Office of Financial Management on March 31, 2003 to satisfy the public source limitation.

GASB Statement No. 65 states that the use of the term deferred should be limited to items reported as deferred outflows of resources or deferred inflows of resources. As such, the term deferred as it relates to reported financial statement amounts for the deferred sales tax liability and related escrow accounts has been eliminated. However, the term deferred tax is used in the Authority's enabling legislation as a part of its financing structure. For this reason, the use of the term deferred when discussing the sales tax liability and related escrow accounts have been retained in the notes to the financial statements and in this Management's Discussion and Analysis.

The changes in long-term liabilities from June 30, 2012 to June 30, 2014 resulted from the Major Maintenance and Modernization projects previously discussed and the payment of DST on December 31, 2012 and 2013 are presented in the following chart.

	July 1, 2013	Increases	Decreases	June 30, 2014
Long-term Portion of Major Maintenance and Modernization Costs Payable	$ 1,119,928	$ -	$ 1,119,928	$
Sales Tax Payable	$ 11,100,000	$ -	$ 3,700,000	$ 7,400,000
Total Long-Term Liabilities	$ 12,219,928	$ -	$ 4,819,928	$ 7,400,000

	July 1, 2012	Increases	Decreases	June 30, 2013
Long-term Portion of Major Maintenance and Modernization Costs Payable	$ 3,113,268	$ -	$ 1,993,340	$ 1,119,928
Sales Tax Payable	$ 14,800,000	$ -	$ 3,700,000	$ 11,100,000
Total Long-Term Liabilities	$ 17,913,268	$ -	$ 5,693,340	$ 12,219,928

Under the terms of the Master Lease Agreement, FGI is responsible for any deferred sales taxes exceeding $37 million. The repayment of the Deferred Sales Tax Payable began in the fifth year following completion of the project in equal annual installments for a ten-year period. This liability will be paid from the amounts available in the Deferred Sales Tax Escrow accounts held by a trustee. The other source of repayment is escrow investment earnings.

Note 1. G. to the financial statements contains additional information about long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority's appointed Board Members and management considered many factors when setting the fiscal year 2015 budget. This 12-month budget is designed to cover the operations and oversight activities intended to satisfy the requirements of the Stadium Act and the Master Lease Agreement with First & Goal Inc. To support this oversight activity the PSA has three revenue sources: lease revenue from First & Goal Inc., interest earnings and funds carried forward from the 2014 budget which will offset estimated budgeted expenses of $1,107,000. The PSA does not include depreciation or maintenance costs funded from the restricted naming right account. Lease revenue increases by the applicable Consumer Price Index.

If these estimates are realized, the Authority's unrestricted net assets are expected to decrease by June 30, 2015 due to maintenance costs. The change in the restricted net assets balance will depend upon the general level of interest rates and their impact on the market value of investments held in the Deferred Sales Tax Escrow accounts. In addition, restricted net assets will change because the annual payment of deferred sales tax and by activity in the restricted Major Maintenance and Modernization program. Net assets invested in capital assets net of related debt, is expected to decrease due to the recognition of depreciation, offset by the reduction in the deferred sales tax liability.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens and public officials with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Washington State Public Stadium Authority, 800 Occidental Avenue South # 700, Seattle, WA 98134-1201.

WASHINGTON STATE PUBLIC STADIUM AUTHORITY
Statement of Net Position
As of June 30, 2014 and 2013

ASSETS:	2014	2013
Current Assets:		
Cash and Cash Equivalents	$ 7,673,951	$ 7,003,346
Receivables and Prepaid Expenses	25,446	24,439
Common School Fund Receivable	409,400	301,079
Due from FGI for Naming Rights Payment	399,603	893,345
Current Portion of Investments Held In Escrow	3,818,418	3,769,761
Total Current Assets	12,326,818	11,991,970
Noncurrent Assets:		
Capital Assets:		
Land conveyed from King County	34,677,100	34,677,100
Stadium, Exhibition Center & Parking Garage	460,636,432	460,636,432
Furniture, Fixtures and Equipment	19,557,211	19,435,644
Construction Work in Progress	-	-
Accumulated Depreciation	(203,139,528)	(187,927,537)
Total Capital Assets	311,731,215	326,821,639
Investments Held in Escrow for Sales Tax	7,322,408	10,962,308
Total Noncurrent Assets	319,053,623	337,783,947
TOTAL ASSETS	$ 331,380,441	$ 349,775,917
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	31,815	68,681
Salaries Payable	59,684	65,758
Excess Surcharge Payable	118,758	265,263
Due to Common School Fund	409,400	301,079
Maintenance and Modernization Costs Payable	2,778,678	3,496,955
Current Portion of Sales Tax Payable	3,731,570	3,731,570
Total Current Liabilties	7,129,905	7,929,306
Long Term Liabilities:		
Maintenance and Modernization Costs Payable	-	1,119,928
Sales Tax	7,400,000	11,100,000
TOTAL LIABILITIES	14,529,905	20,149,234
NET POSITION		
Net Investment in Capital Assets	299,646,833	310,280,876
Restricted for Sales Tax and Capital Improvements	10,401,986	12,346,352
Unrestricted	6,801,717	6,999,455
Total Net Position	$ 316,850,536	$ 329,626,683

See Accompanying Notes to Financial Statements

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

WASHINGTON STATE PUBLIC STADIUM AUTHORITY
Statement of Revenues, Expenses and Change in Net Position
For the year ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Stadium and Exhibition Center Rent	1,094,217	1,067,177
Interest and Investment Revenue	108,175	86,432
Other	-	35
TOTAL OPERATING REVENUES	1,202,392	1,153,644
OPERATING EXPENSES		
Administrative Expenses	866,165	863,120
Facilities Maintenance Cost	352,347	159,655
Depreciation	15,231,267	15,231,038
TOTAL OPERATING EXPENSES	16,449,779	16,253,813
OPERATING LOSS	(15,247,387)	(15,100,169)
NON OPERATING REVENUES (EXPENSES)		
Naming Rights Revenue	2,215,979	2,130,177
Sales Tax Investment Revenue	255,261	217,659
Gain or (Loss) on the Sale of Assets	-	(15,409)
Total Non-Operating Revenues (Expense)	2,471,240	2,332,427
LOSS BEFORE CONTRIBUTIONS	(12,776,147)	(12,767,742)
CAPITAL CONTRIBUTIONS	-	(328,404)
CHANGE IN NET POSITION	(12,776,147)	(13,096,146)
TOTAL NET POSITION---BEGINNING	$ 329,626,683	$ 342,722,829
TOTAL NET POSITION---ENDING	316,850,536	329,626,683.00

See Accompanying Notes to Financial Statements

WASHINGTON STATE PUBLIC STADIUM AUTHORITY
Statement of Cash Flows
For the years ended June 30, 2014 and 2013

CASH FLOWS FROM OPERATING ACTIVITIES	**2014**	**2013**
Receipts from Lease	$ 1,094,217	$ 1,067,177
Payments to or on Behalf of Employees	(555,851)	(522,276)
Payments to Suppliers	(347,181)	(331,087)
Other Receipts (Payments)	(1,579,988)	(1,344,542)
Net Cash Used by Operating Activities	(1,388,803)	(1,130,728)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Proceeds (Refunds) from Surcharge on Ticket Sales	(146,504)	(31,570)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sales Tax Payment	(3,700,000)	(3,700,000)
Payments from Naming Rights Agreement	2,709,722	1,590,213
Purchase of Office Equipment	(31,396)	-
Proceeds from Sale of Assets	-	10
Payment for Modernization Costs	(719,326)	(625,352)
Net Cash Used by Capital and Related Financing Activities	(1,741,000)	(2,735,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received in Escrow Accounts	101,523	84,380
Receipts from Cash Equivalents, less Market Value Adjustment	43,868	40,654
Sales of Investments held in Escrow for Sales Tax	3,846,504	3,700,000
Purchase of Investments held in Escrow	(44,983)	(52,809)
Net Cash Provided by Investing Activities	3,946,912	3,772,225
NET INCREASE (DECREASE) IN CASH	670,605	(125,202)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,003,346	7,128,548
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,673,951	$ 7,003,346
Reconciliation of Operating Loss to net cash provided (used) by operating activities:		
Operating Loss	$ (15,247,387)	$ (15,100,169)
Adjustments to reconcile Operating Loss to net cash provided (used) by operating activities:		
Depreciation	15,231,267	15,231,038
Change in Assets and Liabilities:		
Receivables and Prepaid Expenses	(1,007)	(850)
Accounts Payable	(36,866)	9,756
Salaries Payable	(6,074)	242
Maintenance Cost Payable and Other Accrued Liabilties	(1,328,737)	(1,270,745)
NET CASH USED BY OPERATING ACTIVITIES	$ (1,388,803)	$ (1,130,728)
Schedule of Noncash Investing, Capital and Financing Activities:		
Capital Improvements Related to Naming Rights Funding	109,448	73,130
Increase in Fair Value of Investments held in Escrow	153,738	133,279

See Accompanying Notes to Financial Statements

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

Washington State Public Stadium Authority
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

A. Organization

The Washington State Public Stadium Authority (PSA) was enabled under the provisions of Engrossed Substitute House Bill (ESHB) 2192 by the Washington State Legislature (Chapter 220, Laws of 1997). As required by law, the PSA was created by ordinance of the King County Council which was signed into law on July 22, 1997. The PSA operates as a corporation for public purposes of the State of Washington and was formed to acquire, construct, own and operate a stadium, exhibition center and parking garage.

B. Reporting Entity

The PSA has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board regarding the definition of the reporting entity. Accordingly, the accompanying financial statements include only the accounts and the transactions under the PSA's control. Based upon the concept of financial accountability, the PSA is considered a component unit of the State of Washington. This consideration is based on the ability of the governor to appoint and remove all of the PSA Board members and also that the State of Washington has issued general obligation bonds for stadium construction. The PSA has no component units under the concept of financial accountability.

The Authority uses fund accounting to demonstrate legal compliance and to aid in the financial management by segregating transactions related to certain functions or activities. The financial statements include all funds of the Authority, which are the operating fund, the deferred sales tax fund, and the naming rights modernization and maintenance fund.

C. Stadium and Exhibition Center Project

On June 17, 1997, Washington State voters approved Referendum 48 proposed under the provisions of ESHB 2192. The vote established two distinct purposes for the PSA:

- To oversee the siting, design, development, construction and operation of the new sports stadium and exhibition center.
- To enter into agreements with the Seattle Seahawks National Football League team affiliate, First and Goal, Incorporated (FGI). These agreements

are for the design, project development, project construction and long-term operation of the stadium created through a long-term Master Lease arrangement.

The legislation calls for the following commitments by the following parties:

- The State of Washington sold tax exempt General Obligation Bonds and has provided for a sales tax deferral on construction costs. The State of Washington is responsible for maintaining required debt service reserve funds. The sales tax deferral will be repaid by the PSA over a ten-year period beginning on December 31st of the fifth year following the date the project became operational which was during the year ending June 30, 2008.
- The Washington State Lottery Commission added new games to fund distributions to the state's debt service reserve funds. FGI, upon execution of a Master Lease agreement, is required to promote the lottery in various ways valued at $1 million and escalating annually at 4% beginning January 1998.
- King County transferred the Kingdome site to the PSA but did not transfer the related Kingdome debt. Such debt will be repaid from an extension of the hotel-motel tax in King County. King County has authorized a special stadium and exhibition center sales and use tax of 0.016%. This tax is credited against taxes otherwise due to the Washington State Department of Revenue. King County has authorized and is collecting admission and parking taxes for events that are held in the project.
- The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as defined in statute. As part of a Development Agreement, FGI was required to fund any and all project costs in excess of the $430 million project budget.
- FGI must contribute at least $10 million to the Youth Athletic Facility Grant Fund of the State of Washington upon execution of Lease and Development Agreements. FGI must contribute at least $100 million into the PSA Project Account prior to the completion of construction. FGI has contributed $150 million of which $5.4 million was from the sale of personal seat licenses. An affiliate of FGI must guarantee a maximum of 10 years of fair rent to PSA in the event of the bankruptcy or insolvency of the Team Affiliate. "Fair rent" shall not be less than $850,000 per year, adjusted annually for inflation. An affiliate of FGI must contractually commit to play all home games in the stadium for a term not shorter than the term of the general obligation bonds. This same affiliate must grant the State of Washington a non-participatory 10% interest in majority interest sale of the team for a period of 25 years from the date the bonds are sold. FGI will deposit 20% of the net operating profit of the exhibition center into the Permanent School Fund.

D. Master Lease Agreement

On November 24, 1998 the Authority and FGI entered into a Master Lease Agreement. The Master Lease designates FGI as the master tenant of the

Stadium and Exhibition Center/Parking Garage. As the master tenant, FGI is given exclusive power and authority to operate and use the facilities, as well as enter in subleases and agreements with respect to operation of the facilities. The Master Lease establishes the basic long-term business relationship between the Authority and FGI. The major objectives and terms/conditions of the Master Lease are summarized as follows:

- Minimize risk assumed by the public as the owner of the stadium and exhibition center/parking garage.
- Ensure that the public's assets are properly maintained, renewed, and operated.
- Provide opportunities for public benefits to be derived from the stadium and exhibition center/parking garage.
- Provide the opportunity for FGI to realize economic benefits associated with stadium and exhibition center/parking garage operations in order to provide the franchise with the stadium-related tools to allow professional football to remain financially viable in the Pacific Northwest.

E. Development Agreement

The Authority and FGI entered into a Development Agreement on November 24, 1998. The Development Agreement designates FGI as the master developer of the Stadium and Exhibition Center/Parking Garage and establishes the basic business relationship between the project's owner, the Authority, and FGI during the design and construction period. The Development Agreement addresses various issues within its many provisions.

- First, it ensures that all legislatively mandated requirements are achieved during the development of the stadium and exhibition center.
- Secondly, it ensures that the public investment is preserved: that the public contribution is capped at $300 million, that the public funds for the project are appropriately used, that the PSA has appropriate mechanisms in place to oversee the project, and to ensure that the highest quality project is constructed to help facilitate a long and useful life of the facility.
- Finally, it minimizes the risk assumed by the Authority as the facility owner during the development of the stadium and exhibition center project.

F. Basis of Accounting and Restricted Assets and Liabilities

The accompanying financial statements were prepared in conformity with generally accepted accounting principles. The PSA is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The PSA applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB). The PSA has adopted the provisions of GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,* *1989 FASB and AICPA Pronouncements*, which provides a codification of private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to be followed in the financial statements of proprietary fund types.

The PSA implemented the provisions of GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* as of June 30, 2001. Under this statement the PSA is defined as a "special-purpose government engaged in only business-type activities." GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The PSA is not presenting captions for deferred inflows and outflows, as it has no items required to be reported as such. The required statements for this type of government in accordance with GASB Statement No. 63 are the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows.

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, deferred inflows of resources or expenses, certain items that were previously reported as assets and liabilities. The PSA had no items that required such reclassification. As such, the adoption of this standard had no effect on the financial statements as of and for the years ended June 30, 2014 and 2013.

Certain assets of PSA are restricted for the repayment of the deferred sales tax or for payment of Modernization and Major Maintenance liabilities. Assets and related liabilities restricted for the payment of the deferred sales tax liability are reflected separately from other assets and liabilities. Included in the Cash and Cash Equivalents caption in the Statements of Net Position is restricted cash for Modernization and Major Maintenance liabilities in the amount of $1,205,783. This restricted cash is considered, along with the expected receipts of naming rights revenue during the year ended June 30, 2015, in determining the current portion of the related Major Maintenance and Modernization Costs Payable.

G. Revenue Recognition

Operating Revenues commenced during 2000 upon payment of lease revenues under the Master Lease Agreement for the Stadium and Exhibition Center. Annual rent amounts are increased based upon the Consumer Price Index. Under the terms of the Master Lease Agreement, lease payments are due through 2029. Total remaining minimum lease payments are approximately $18.4 million and annual payments will approximate $1,150,000 for the next five fiscal years. Substantially all of the capital assets and accumulated depreciation reported in the Statements of Net Position are leased under the Master Lease Agreement for the Stadium and Exhibition Center.

Engrossed Substitute House Bill 2192, Section 204 requires the sales tax and lottery proceeds to be paid to the PSA until bonds are issued by the State of Washington, at which time the sales tax and lottery proceeds will be deposited into the state's stadium and exhibition center account. The State of Washington issued the first series of General Obligation Bonds on May 7, 1999.

Investment revenues have been classified as either operating or non-operating revenue depending on their nature. Interest revenue available for the PSA's general operations is reflected as operating revenue. Investment income derived from investments, held by the trustee in the restricted deferred sales tax escrow account, is classified as non-operating revenue because it is not available for PSA operations.

Naming rights revenue is recorded as non-operating revenue, as it is restricted by statute for the funding of modernization and maintenance of the stadium and exhibition center. Related accrued costs have been classified as either maintenance expense in operating expenses or have been capitalized according to the PSA capitalization policy (see Note 1. H).

The surcharge on tickets has been discontinued as of May 2012 after fulfilling its obligation in the funding of the Deferred Sales Tax liability.

Deferred Sales Tax Payable is recognized when sales tax is deferred on actual construction costs. The following is a summary of changes in long-term liabilities:

	Maintenance and Modernization Cost Payable		Deferred Sales Tax Payable	
	Long Term	Current	Long Term	Current
Balance at June 30, 2012	$ 3,113,268	$ 3,270,830	$ 14,800,000	$ 3,700,000
Change during June 30, 2013	(1,993,340)	226,125	(3,700,000)	31,570
Balance at June 30, 2013	1,119,928	3,496,955	11,100,000	3,731,570
Change during June 30, 2014	(1,119,928)	(718,277)	(3,700,000)	-
Balance at June 30, 2014	$ -	2,778,678	$ 7,400,000	$ 3,731,570

The Deferred Sales Tax Payable is, and will be, paid from an escrow account held by a trustee for this purpose (see Note 3) and from a surcharge imposed on event tickets that were discontinued as of May 2012. The final liability amounts are determined and the debt service to maturity is based on final amounts. The following chart on the next page is the debt service to maturity as of June 30, 2014 and 2013 (in millions). FGI is contractually obligated to pay all deferred sales tax obligations exceeding $37 million. However, due to the excess surcharge collected, the PSA will pay the annual $31,570 due from FGI which is reflected in the current portion of the deferred sales tax liability and in the excess surcharge liability recorded as of June 30, 2014 in current liabilities. A minor amount of the excess surcharge liability will be repaid after June 30, 2015 and is recorded as a current liability.

Deferred Sales Tax Payable		
Year ended June 30	As of June 30, 2014	As of June 30, 2013
2014	$ -	$ 3.7
2015	3.7	3.7
2016	3.7	3.7
2017	3.7	3.7
Total	$ 11.1	$ 14.8

The long-term portion of major maintenance and modernization costs are payable to the extent of sufficient naming rights revenues received. The amount of the major maintenance and modernization costs that will be repaid subsequent to June 30, 2015 is recorded as long term. This amount will be repaid as naming rights payments are received. Naming rights payments are approximately $2.4 million per year. The remainder of accrued costs of $2,778,678 is reflected as a current liability in the financial statements based on available funding during the year ending June 30, 2015. Since all of the costs are expected to be repaid from existing restricted cash and naming rights revenue expected to be received during the year ended June 30, 2015, all amounts are reflected as a current liability.

The Master Lease Agreement, which required FGI to provide a standby letter of credit for the benefit of PSA in the amount of $1,500,000, was modified by the sixth amendment to the Master Lease Agreement. This amendment requires the PSA to give written notice to FGI that there is a need for a standby letter of credit. As of June 30, 2014 the PSA has not requested a standby letter of credit.

H. Capital Assets

Capital assets include the former Kingdome land conveyed by King County, Exhibition Hall, Parking Garage, Stadium, and Furniture, Fixtures & Equipment. In addition to the actual construction and development costs, capital assets also include a portion of the PSA's staffing and related operating costs, architect & engineering fees, environmental consulting fees, and all other costs relating to the pre-development activities of the stadium, exhibition center and parking garage. Furniture, Fixtures and Equipment include items with a cost greater than or equal to $5,000 with an expected useful life greater than one year. The PSA received a donation of former Kingdome equipment and has recorded the donated equipment at fair value.

Capital assets other than land and donated equipment are valued at historical costs and are depreciated on a straight-line basis over the estimated useful lives. Furniture, Fixtures and Equipment are depreciated over 3 to 15 years, Garage and Stadium over 30 years and Exhibition Hall over 40 years, which represent their estimated economic useful lives. Land conveyed by King County is valued at estimated fair value as determined by the King County Assessor in 2000. The following is a summary of changes in capital assets:

	July 1, 2013	Increases	Decreases	June 30, 2014
Capital Assets, not depreciated:				
Land Conveyed From King County	$ 34,677,100	$ -	$ -	$ 34,677,100
Construction Work in Progress	-	-	-	-
Capital Assets, depreciated:				
Stadium	386,710,802	-	-	386,710,802
Exhibition Hall and Parking Garage	73,925,630	-	-	73,925,630
Furniture, Fixture, and Equipment	19,435,644	140,843	(19,276)	19,557,211
Total Capital Assets	514,749,176	140,843	(19,276)	514,870,743
Accumulated Depreciation:				
Stadium	(140,766,564)	(12,934,331)		(153,700,895)
Exhibition Hall and Parking Garage	(28,916,419)	(2,070,313)	-	(30,986,732)
Furniture, Fixture, and Equipment	(18,244,554)	(226,623)	19,276	(18,451,901)
Total Accumulated Depreciation	(187,927,537)	(15,231,267)	19,276	(203,139,528)
Net Capital Assets	$ 326,821,639	$ (15,090,424)	$ -	$ 311,731,215

I. Compensated Absences Payable

PSA employees earn 12 days of sick leave and 15 to 18 days of vacation per year, unless otherwise specified, depending on the employee's length of service. A maximum of 480 hours of sick leave may be accrued. Unless otherwise specified, an employee's vacation accrual may not exceed one and one half of the annual earnings' rate and only an amount equal to one full years earning may be carried into the next year. An employee leaving the employ of the PSA 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 salaries payable in the accompanying balance sheet.

NOTE 2 - BUDGETARY ACCOUNTING AND CONTROL

The PSA's annual budget is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses as well as operating capital costs. The PSA maintains budgetary control by not permitting total operating or project related expenses to exceed total appropriations without approval by the Board of Directors. The Board of Directors approved the Project Budget of $430 million during 1999.

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The PSA's cash and cash equivalents consist of cash on hand, demand deposits and pooled investments managed by the King County Treasury Division. The King County Treasury Division 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 PSA based upon the PSA's proportionate share in the pooled investments. For the purpose of reporting cash and cash equivalents in the Statements of Cash Flows, the PSA records the cash on hand, demand deposits and pooled investments managed by the King County Treasury Division as cash and cash equivalents as is reflected in the Statements of Net Position. The trustee for the Deferred Sales Tax account maintains a minor amount of cash equivalents that are reported as Investments Held in Escrow for Deferred Sales Tax Liability. Due to its restricted nature, the PSA does not segregate restricted cash equivalents from restricted investments in the Statements of Net Position.

The Revised Code of Washington allows King County to invest its surplus funds in US Treasuries and Agency securities, certificates of deposits, commercial paper, bankers' acceptances, and repurchase agreements secured by eligible securities. All investments are stated at fair value. The change in fair value of investments is reflected in the statement of revenues, expenses and changes in net position as investment revenue. King County reports that its pool's effective duration is 1.32 years. Due to its highly liquid nature from the PSA's perspective, the pool is considered a cash-equivalent. The King County Investment Pool held certain assets that are considered impaired as of June 30, 2014. These assets created a realized loss that was charged against the PSA's pool account balance during the year ended June 30, 2009 and affected the market valuation of the Pool as of June 30, 2014. The ultimate disposition of these impaired assets is not expected to be significantly different than the market valuation provided by King County as of June 30, 2014.

The Authority and the Office of the State Treasurer also maintain escrow accounts with a commercial bank that are restricted for the purpose of funding PSA's deferred sales tax obligation. These escrow accounts are funded by proceeds from bonds issued by the State of Washington, proceeds from the repayment of the sales tax credit loan and from a surcharge imposed on event tickets, which was discontinued in May 2013. The escrow accounts are reflected separately from other investments in the Statements of Net Position. The trustee has purchased municipal zero coupon bonds and US Treasury securities for these escrow accounts. The municipal bonds mature from 2014 to 2017. The US Treasury securities mature from 2014 to 2016 with rates from 0.0510% to 2.94%. The escrow investments are valued at market value established by the trustee. The change in the market value is included in non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

The PSA uses demand deposits with commercial banks. These deposits are entirely insured. While the PSA does not have a formal policy regarding custodial credit risk, the PSA does not assume any custodial credit risk as all of its cash equivalents are held in the King County Investment Pool, which is not an investment evidenced by securities. The investments held in the Deferred Tax escrow accounts are in the escrow accounts' name and cannot be accessed by PSA without agreement by the Office of the State Treasurer.

As of June 30, 2014 and 2013, the PSA had the following cash, cash equivalents and investments. The amounts reported for the King County Pool and the US Bank Escrow accounts are reported at fair value in accordance with GASB Statement No. 31.

Cash, Cash Equivalents and Investments	**2014 Fair Value**	**2013 Fair Value**
Investments with King County Pool	$ 7,668,851	$ 6,998,246
Bank Accounts and Cash on Hand	5,100	5,100
Total Cash and Cash Equivalents	$ 7,673,951	$ 7,003,346
US Bank - Escrow Fund	$ 7,691,800	$ 9,683,508
US Bank - PSA Loan Payment Escrow Fund	31,049	30,818
US Bank - Escrow Surcharge	3,417,977	5,017,743
Total Investments Held in Escrow	$ 11,140,826	$ 14,732,069

A large portion of the escrowed securities are municipal zero coupon bonds that mature from 2014 to 2017. As such, these securities carry significant interest rate risk. However, the maturities of these securities are matched to the timing of the required deferred tax payments and can only be used for the required deferred tax payments.

PSA uses the valuations provided by King County and US Bank. As such, it does not employ separate valuations. Since the King County Pool is essentially a cash equivalent and the US Bank Escrow Accounts match up investment maturities with the required Deferred Tax payments, the use of the five approved methods under GASB Statements 40 and 59 are not applicable

Credit Rate Risk As of June 30, 2014 the PSA's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, the Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rates at least "A" by two NRSROs), commercial paper (rated at least the equivalent of “A-1” by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements and the Local Government Investment Pool managed by the Washington State Treasurer’s Office.

The escrow trustee has purchased municipal zero coupon bonds and US Treasury securities for the escrow accounts under the direction of the Washington State Treasurer’s Office. These securities are rated from AA3 to AAA by Moody’s and from A to AAA by Standard & Poor’s.

NOTE 4 - EMPLOYEE BENEFIT PLANS

All employees of the PSA participate in a FICA Replacement Plan and either the Public Employees’ Retirement System (PERS) or the PERS Replacement Retirement Plan. Employer and Employee contributions are paid in accordance with rates specified by the individual plans. Total payroll covered by all systems was $ 416,142 for 2014 and $ 402,628 for 2013.

A. Public Employees’ Retirement System (PERS)

Plan Description. PSA contributes to PERS; a cost-sharing multiple-employer defined benefit pension plan administered by the Washington State Department of Retirement Systems. The State Legislature established PERS in 1947 under RCW chapter 41.40. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; non-certified employees of school districts; and employees of local government.

PERS contains several different plans. Participants who joined the system by September 30, 1977, are Plan I members. Those joining thereafter are enrolled in Plan II. All participants of the Authority participate under Plan II. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits are vested after the completion of five years of eligible service.

Plan II retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost of living allowance is granted, capped at 3 percent annually.

Funding Policy. Each biennium the legislature establishes Plan II employer and employee contribution rates. The employer and employee rates for Plan II are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements were established under state statute. Plan members are required to contribute 4.92% of their annual covered salary and PSA is required to contribute 9.19% of annual covered payroll.

The PSA Board of Directors adopted participation in the PERS Plan in fiscal year 1998. Admission by PERS was effective August 1998 with the ability to retroactively purchase service credit for employee service earned in fiscal year 1998. Retroactive payments were paid over a five-year period. Effective January 1, 2000, all new PSA employees must enroll in PERS.

PERS issues a stand-alone financial report that can be obtained from the Washington State Department of Retirement Systems. The required and actual contributions made to the PERS Plan for the past three years were as follows:

Year Ended June 30	Required Contribution	Percentage of Required Contribution Paid
2014	23,956	100%
2013	23,468	100%
2012	22,658	100%

B. PSA Retirement Plans

Employees hired prior to January 1, 2000 were able to select the PERS Replacement Plan as an alternative benefit plan to PERS. The FICA Replacement Plan and PERS Replacement Plans are designated as profit sharing (defined contribution) plans in accordance with section 401(a) (27) (B) of the Internal Revenue Code. The International City Management Association Retirement Corporation (ICMA) administers these plans and provides the plan document. The PSA Board has the ability to select various options within the framework of the ICMA plan document and the Internal Revenue Code.

Employer and Employee contributions are paid to both PSA Plans in accordance with rates specified by the individual plans. In addition to Employer and Employee contributions, rollover contributions are accepted by the PSA Plans. The FICA Replacement Plan contributions will be same as if employees participated in Social Security. The PSA Board of Directors sets the PERS Replacement Plan contributions within the limitations of the Internal Revenue Code. Plan members are required to contribute 4.65 % (PERS) and 6.2% (FICA) of their annual covered salary and PSA is required to contribute 3% (PERS) and 6.2% (FICA) of annual covered payroll. All contributions to either Plan vest immediately.

Actual contributions made to the FICA Replacement Plan by members were $20,492 and $23,267 and by PSA were $20,492 and $19,367 for the years ended 2014 and 2013, respectively. Actual contributions made to the PERS

Replacement Plan by members were $6,378 and $6,294 and by PSA were $4,115 and $4,057 and for the years ended 2014 and 2013, respectively.

C. Deferred Compensation Plan

PSA offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, employees elect to defer a portion of their salary until future time periods. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable financial emergency.

Compensation deferred under the plan is held in trust with the International City Management Association Retirement Corporation for the sole benefit of plan participants. As such, amounts deferred and placed in trust have not been reflected as assets or liabilities of PSA in the accompanying financial statements.

NOTE 5 - RISK MANAGEMENT

The PSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Washington State Department of Labor and Industries program for workers compensation coverage. Deductibles under these covered insurance policies are minor. There have been no settlements regarding purchased insurance policies. As such, settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

NOTE 6 - NAMING RIGHTS AND MAJOR MAINTENANCE AND MODERNIZATION COMMITMENTS

As discussed in Note 1.G., the PSA receives naming rights payments from FGI under its agreement with Century Link for team sponsorship and stadium naming rights. The portion of the agreement related to naming rights is paid into a fund for major maintenance and modernization of the stadium and exhibition hall project. The agreement was non-cancellable for a ten-year period beginning in 2004 with an option to extend it for an additional five-year period. With the change of the Stadium's name from Qwest to CenturyLink Field, the five-year option was exercised. However, payments may be modified or the agreement terminated for "Lost Games" as defined by the agreement. The current annual naming rights payment is $2.4 million with an annual escalation of 2.8%, except for the first year of the option period in 2014, in which the escalation is 10%. As such, the expected annual payments for the balance of this naming rights agreement range from $2.4 million to $2.7 million for a total of $32 million over the entire fifteen-year period.

Amounts received under this agreement are restricted by statute for the funding of modernization and major maintenance of the stadium and exhibition center. The PSA Board of Directors has approved a series of five-year major maintenance and modernization plans. The total estimated cost of all approved projects is approximately $21.8 million, of which $16.3 million had been paid through June 30, 2014 and $3.0 million has been recognized as a liability as of June 30, 2014. The remaining $2.5 million will become a commitment only to the extent that future projects are approved and will be recorded as a liability when future projects are completed.

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov