Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State Public Stadium Authority

For the period July 1, 2017 through June 30, 2019

Published January 30, 2020

Report No. 1025621

Office of the Washington State Auditor
Pat McCarthy

January 30, 2020

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,

Pat McCarthy

State Auditor

Olympia, WA

TABLE OF CONTENTS

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
July 1, 2017 through June 30, 2019

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, a component unit of the State of Washington, as of and for the years ended June 30, 2019 and 2018, 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 January 23, 2020.

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 opinions 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

January 23, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Public Stadium Authority
July 1, 2017 through June 30, 2019

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, a component unit of the State of Washington, as of and for the years ended June 30, 2019 and 2018, 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 opinions 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 opinions.

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, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 January 23, 2020 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

January 23, 2020

FINANCIAL SECTION

Washington State Public Stadium Authority
July 1, 2017 through June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019 and 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019 and 2018
Statement of Revenues, Expenses and Changes in Net Position – 2019 and 2018
Statement of Cash Flows – 2019 and 2018
Notes to Financial Statements – 2019 and 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2019 and 2018
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019 and 2018

Our discussion and analysis of the Washington State Public Stadium Authority's (the "Authority" or "PSA") financial performance provides and overview of the Authority's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the Authority's financial statements.

FISCAL YEAR 2019 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, and in the provision of public benefits from the operation 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 and Event 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 Field 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 and 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, 2019, the net profits due to the Permanent Common School Fund from this revenue sharing agreement total $643,908 as compared to $478,296 as of June 30, 2018.

CenturyLink Field

Located on the former site of the Kingdome, the 69,000-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 variety of amateur sporting, entertainment, and community events each year including concerts and corporate events.

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

The Authority also works with the Master Tenant to enhance fans' experience while attending events at the stadium and event center through approval of facility modifications. Roughly 2 million people attended events at CenturyLink Field and Event Center during 2019. 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 $1,143,279 in 2017 to $1,168,596 in 2018 and to $1,204,373 in 2019. The increase in revenue is attributed to the annual consumer price indexing authorized by the Master Lease Agreement.

- The PSA recognized naming rights payments of $2,886,575 including $655,208 due from FGI as of June 30, 2019. This amount increased according to the naming rights contract from $2,616,863 in 2018 and $2,545,587 in 2017. The naming rights payment is recorded as non-operating revenue, as it is restricted by statute for the funding of major maintenance and modernization of the stadium and event center. The PSA has recognized approximately $1,826,000 and $1,183,000 in liabilities related to major maintenance and modernization projects in connection with the naming rights funding as of June 30, 2019 and 2018, respectively.

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

- Investment revenue increased from 2018 to 2019 and increased from 2017 to 2018, mainly due to the change in the market value of the investment portfolio. Administrative expenses increased from 2018 to 2019 mostly due to legal and consulting fees related to a variety of ongoing projects. Administrative expenses decreased slightly from 2017 to 2018 due to the effect of pension accounting. Total Operating Expenses increased approximately 8% due to increased facilities maintenance costs from 2018 to 2019 and decreased approximately 7.5% due to reduced facilities maintenance costs from 2017 to 2018.

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 report 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 deferred outflows of resources, liabilities and deferred inflows of resources 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 considered regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. The Authority's net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 $260 million to $245 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 $15.1 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 change in net position from 2017 to 2019 is also due mainly to annual depreciation.

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

Condensed Comparative Statement of Net Position:	**NET POSITION**		
	2019	**2018**	**2017**
Current and Other Assets	$ 10,291,224	$ 10,361,276	$ 9,340,307
Capital Assets, Net	237,618,349	251,410,603	266,497,891
Total Assets	247,909,573	261,771,880	275,838,198
Deferred Outflow of Resources	9,550	12,223	12,936
Long Term Liabilities	114,035	151,697	217,025
Current Liabilities	2,671,252	1,896,482	2,187,883
Total Liabilities	2,785,287	2,048,179	2,404,908
Deferred Inflow of Resources	64,378	57,435	35,697
Net Position:			
Invested in Capital Assets, Net	237,618,349	251,410,603	266,497,891
Restricted	-	450,193	-
Unrestricted	7,451,109	7,817,692	6,912,638
Total Net Position	$ 245,069,458	$259,678,488	$273,410,529

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 $7.8 million in 2018 to $7.5 million in 2019 and increased from approximately $6.9 million in 2017 to $7.8 million in 2018. In 2019 and 2017, the naming rights liabilities exceeded the amounts held in the naming rights cash accounts. These negative Restricted net position balances have been reclassified to the Unrestricted net position classification. Prior to the reclassification, Unrestricted net position increased by approximately $600,000 from 2018 to 2019 and $400,000 from 2017 to 2018. This is due mainly to the excess of rent income over administrative expenses in 2019, 2018 and 2017. The net *invested in capital assets* decreased due mainly to the depreciation of capital assets ($15.1 million) as previously discussed. *Restricted net position* represents 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 nearly $1.3 million from 2018 to 2019 and increased by nearly $1 million from 2017 to 2018, prior to the reclassification discussed above. Decreases from 2018 to 2019 are due to increases in the naming rights liability over the increase in the naming rights cash account. Increases from 2017 to 2018 are due to the excess of collected naming rights over the naming rights liability. After the reclassification discussed above, Restricted net position increased by approximately $450,000 from 2017 to 2018 and decreased by approximately $450,000 from 2018 to 2019.

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 many years to fund modernization and major maintenance needs to keep the facility in proper condition. The naming rights contract was extended prior to year-end 2019 to keep the modernization and major maintenance needs funded for future years.

Condensed Comparative Statement of Changes in Net Position:	**CHANGES IN NET POSITION**		
	2019	**2018**	**2017**
Stadium and Exhibition Center Rent	$ 1,204,273	$ 1,168,596	$ 1,143,279
Total Operating Revenues	1,204,273	1,168,596	1,143,279
Administrative Expenses	1,094,021	828,201	910,614
Facilities Maintenance Cost	2,855,451	1,690,034	3,020,919
Depreciation	15,073,833	15,087,288	15,179,931
Total Operating Expenses	19,023,305	17,605,523	19,111,464
Net Operating Loss	(17,819,032)	(16,436,927)	(17,968,185)
Investment Income and Other	323,427	88,023	59,248
Naming Rights Revenue	2,886,575	2,616,863	2,545,587
Final Payment from Deferred Sales Tax Escrow	-	-	(17,126)
Sales Tax Escrow Investment Income	-	-	9,118
Total Non-Operating Revenue (Expense)	3,210,002	2,704,886	2,596,827
Increase (Decrease) in Net Position	$ (14,609,030)	$ (13,732,041)	$ (15,371,358)

Total revenues increased slightly from 2018 to 2019 and from 2017 to 2018 due to escalations in both the rent and the naming rights. The total administrative costs increased from 2018 to 2019 and decreased from 2017 to 2018. As previously noted, administrative expenses increased from 2018 to 2019 mostly due to legal and consulting fees related to a variety of ongoing projects. A portion of the decrease from 2017 to 2018 is due to pension accounting. Facilities maintenance expenses increased by approximately $1.2 million from 2018 to 2019 and decreased by approximately $1.3

million from 2017 to 2018 due to accrued billings from FGI for major maintenance 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 $1.4 million from 2018 to 2019 and a decrease in net operating loss of approximately $1.5 million from 2017 to 2018. Total net non-operating revenue remained relatively unchanged.

Budgetary Highlights

The Authority's Board of Directors adopted the 2019 budget on May 24, 2018. For the year ended June 30, 2019 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 2019, the Authority had $238 million invested in its stadium, event center, parking garage facilities, and equipment, net of accumulated depreciation. This amount represents a net decrease of $14 million, or 5.5%, from last year. 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, 2017 to June 30, 2019 is summarized in the following two charts.

	June 30, 2018	Increase	Decrease	June 30, 2019
Capital Assets	$ 504,728,825	$ 1,281,579	$ (167,820)	$ 505,842,584
Accumulated Depreciation	(253,318,222)	(15,073,833)	167,820	(268,224,235)
Net Capital Assets	$ 251,410,603	$ (13,792,254)	$ -	$ 237,618,349
	July 1, 2017	**Increase**	**Decrease**	**June 30, 2018**
Capital Assets	$ 504,792,618	$ -	$ (63,793)	$ 504,728,825
Accumulated Depreciation	(238,294,727)	(15,087,288)	63,793	(253,318,222)
Net Capital Assets	$ 266,497,891	$ (15,087,288)	$ -	$ 251,410,603

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

Debt Administration

The project was 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 was, however, responsible for repayment of the deferred sales tax (DST) liability incurred on construction costs. Additionally, the Authority was responsible to repay any public revenues, as defined in the enabling legislation, which were 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.

The changes in long-term liabilities from July 1, 2017 to June 30, 2019 are presented in the following charts. The Major Maintenance and Modernization project liability is classified as current for both 2019 and 2018. As such, the only long-term liability is the pension liability as of June 30, 2019 and 2018.

	June 30, 2018	Increase	Decrease	June 30, 2019
Net Pension Liability	$ 151,697	$ -	$ 37,662	$ 114,035
Total Long-Term Liabilities	$ 151,697	$ -	$ 37,662	$ 114,035

	July 1, 2017	Increase	Decrease	June 30, 2018
Net Pension Liability	$ 217,025	$ -	$ 65,328	$ 151,697
Total Long-Term Liabilities	$ 217,025	$ -	$ 65,328	$ 151,697

Under the terms of the Master Lease Agreement, FGI was 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 was fully paid from the amounts available in the Deferred Sales Tax Escrow accounts held by a trustee as of December 31, 2016.

Note 1. F. 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 2020 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 2019 budget which will offset estimated budgeted expenses of $1,256,000. The PSA does not include depreciation or maintenance costs funded from the restricted naming rights account in its budget. Lease revenue increases by the applicable Consumer Price Index.

If these estimates are realized, the Authority's unrestricted net position is expected to increase slightly. The change in the restricted net position balance will depend upon the activity in the restricted Major Maintenance and Modernization program. Net position invested in capital assets net of related debt, is expected to decrease due to the recognition of depreciation.

Contacting the Authority's 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, 2019 and 2018

ASSETS:	2019	2018
Current Assets:		
Cash and Cash Equivalents	$ 8,941,882	$ 9,353,557
Receivables and Prepaid Expenses	50,226	83,151
Common School Fund Receivable	643,908	478,296
Due from FGI for Naming Rights Payment	655,208	446,273
Total Current Assets	10,291,224	10,361,277
Noncurrent Assets:		
Capital Assets:		
Land conveyed from King County	34,677,100	34,677,100
Stadium, Exhibition Center & Parking Garage	460,953,037	460,953,037
Furniture, Fixtures and Equipment	10,212,447	9,098,688
Accumulated Depreciation	(268,224,235)	(253,318,222)
Total Capital Assets	237,618,349	251,410,603
TOTAL ASSETS	247,909,573	261,771,880
DEFERRED OUTFLOW OF RESOURCES	9,550	12,223
LIABILITIES:		
Current Liabilities:		
Accounts Payable	90,197	43,580
Salaries Payable	110,690	91,033
Prepaid Lease Payment	-	100,356
Due to Common School Fund	643,908	478,296
Maintenance and Modernization Costs Payable	1,826,457	1,183,217
Total Current Liabilties	2,671,252	1,896,482
Long Term Liabilities:		
Net Pension Liability	114,035	151,697
TOTAL LIABILITIES	2,785,287	2,048,179
DEFERRED INFLOW OF RESOURCES	64,378	57,435
NET POSITION:		
Net Investment in Capital Assets	237,618,349	251,410,603
Restricted for Sales Tax and Capital Improvements	-	450,193
Unrestricted	7,451,109	7,817,692
Total Net Position	$ 245,069,458	$ 259,678,488

See Accompanying Notes to Financial Statements

WASHINGTON STATE PUBLIC STADIUM AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Stadium and Exhibition Center Rent	$ 1,204,273	$ 1,168,596
TOTAL OPERATING REVENUES	1,204,273	1,168,596
OPERATING EXPENSES		
Administrative Expenses	1,094,021	828,201
Facilities Maintenance Cost	2,855,451	1,690,034
Depreciation	15,073,833	15,087,288
TOTAL OPERATING EXPENSES	19,023,305	17,605,523
OPERATING LOSS	(17,819,032)	(16,436,927)
NON OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	323,427	88,023
Naming Rights Revenue	2,886,575	2,616,863
Total Non-Operating Revenues (Expense)	3,210,002	2,704,886
CHANGE IN NET POSITION	(14,609,030)	(13,732,041)
TOTAL NET POSITION---BEGINNING	259,678,488	273,410,529
TOTAL NET POSITION---ENDING	$ 245,069,458	$ 259,678,488

See Accompanying Notes to Financial Statements

WASHINGTON STATE PUBLIC STADIUM AUTHORITY
Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Lease	$ 1,103,917	$ 1,268,952
Payments to or on Behalf of Employees	(577,394)	(538,930)
Payments to Suppliers	(470,010)	(295,556)
Other Receipts (Payments)	(2,081,441)	(2,176,366)
Net Cash Used by Operating Activities	(2,024,929)	(1,741,900)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Capital Assets	(1,281,579)	-
Payments from Naming Rights Agreement	2,677,639	2,604,708
Net Cash Provided (Used) by Capital and Related Financing Activities	1,396,060	2,604,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Cash Equivalents, less Market Value Adjustment	217,194	129,194
Net Cash Provided by Investing Activities	217,194	129,194
NET INCREASE (DECREASE) IN CASH	(411,674)	992,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,353,557	8,361,555
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,941,882	$ 9,353,557
Reconciliation of Operating Loss to net cash provided (used) by operating activities:		
Operating Loss	$ (17,819,032)	$ (16,436,927)
Adjustments to reconcile Operating Loss to net cash provided (used) by operating activities:		
Depreciation	15,073,833	15,087,288
Change in Assets and Liabilities:		
Receivables and Prepaid Expenses	32,926	(47,641)
Pension Contribution-Deferred Outflow/Inflow	(28,047)	(42,876)
Accounts Payable	46,617	(6,284)
Salaries Payable	19,658	19,664
Maintenance Cost Payable and Other Accrued Liabilties	649,117	(315,122)
NET CASH USED BY OPERATING ACTIVITIES	$ (2,024,929)	$ (1,741,900)
Schedule of Noncash Investing, Capital and Financing Activities:		
Increase (Decrease) in Fair Value of Cash Equivalents	104,947	(35,136)

See Accompanying Notes to Financial Statements

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 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 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, construction and operation of the new football/soccer stadium and exhibition center.
- To enter into agreements with the Seattle Seahawks team affiliate, First and Goal Incorporated (FGI). These agreements are for project development and long-term operation of the football/soccer stadium and exhibition center.

The legislation called for commitments by the following parties:

- The State of Washington sold tax exempt General Obligation Bonds and provided for a sales tax deferral on construction costs. The State of Washington is also responsible for maintaining required debt service reserve funds. The sales tax deferral was 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 sales tax deferral was fully paid during the year ended June 30, 2017.
- 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. Repayment of such debt is from an extension of the hotel-motel tax in King County. King County 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 authorized and is collecting admissions and parking taxes for events held at the stadium and exhibition center.
- The total public share of the stadium and exhibition center cost could 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 contributed $10 million to the Youth Athletic Facility Grant Fund of the State of Washington upon execution of Master Lease and Development Agreements. FGI must contribute at least $100 million into the PSA Project Account prior to the completion of construction. FGI contributed $150 million of which $5.4 million was from the sale of personal seat licenses. An affiliate of FGI guaranteed a maximum of 10 years of fair rent to PSA in the event of the bankruptcy or insolvency of the Team Affiliate. "Fair rent" was defined as not less than $850,000 per year, adjusted annually for inflation. An affiliate of FGI contractually committed to play all home games in the stadium for a term not shorter than the term of the general obligation bonds. The same affiliate granted 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 were sold. FGI must 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. 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 presents captions for deferred inflows of resources and deferred outflows of resources. 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.

The PSA implemented the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* by restating certain amounts previously reported in 2014. This standard creates the reporting of a net pension liability and deferred outflows and inflows of resources. For purposes of measuring the net pension liability and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Contributions made during the fiscal year ended June 30, 2019 were made subsequent to the measurement date of June 30, 2018 and are reported as deferred outflows of resources. Investments are reported at fair value.

Certain assets of PSA are restricted for payment of Modernization and Major Maintenance liabilities. The deferred sales tax liability was fully paid from amounts held in escrow during the year ended June 30, 2017. Included in the Cash and Cash Equivalents caption in the Statement of Net Position is restricted cash for Modernization and Major Maintenance liabilities in the amount of $897,951 for 2019 and $1,633,411 for 2018. This restricted cash is considered, along with the expected receipts of naming rights revenue during the year ended June 30, 2020, in determining the current portion of the related Major Maintenance and Modernization Costs Payable.

F. 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 2032. Total remaining minimum lease payments are approximately $19.7 million and annual payments will approximate $1,325,000 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 non-operating revenue.

Naming rights revenue is recorded as non-operating revenue, as it is restricted by statute for the funding of modernization and major 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 following is a summary of changes in long-term liabilities:

	Maintenance and Modernization Cost Payable	
	Long Term	Current
Balance at June 30, 2017	$ -	$ 1,557,525
Change during June 30, 2018	-	(374,308)
Balance at June 30, 2018	-	1,183,217
Change during June 30, 2019	-	643,240
Balance at June 30, 2019	$ -	$ 1,826,457

As of June 30, 2019, and 2018, the major maintenance and modernization cost payable are reflected as current liabilities.

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, 2019, and 2018 the PSA has not requested a standby letter of credit.

G. 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 from July 1, 2017 to June 30, 2019:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets, not depreciated:				
Land Conveyed From King County	$ 34,677,100	$ -	$ -	$ 34,677,100
Construction Work in Progress	-	-	-	-
Capital Assets, depreciated:				
Stadium	387,027,407	-	-	387,027,407
Exhibition Hall and Parking Garage	73,925,630	-	-	73,925,630
Furniture, Fixture, and Equipment	9,098,688	1,281,579	(167,820)	10,212,447
Total Capital Assets	504,728,825	1,281,579	(167,820)	505,842,584
Accumulated Depreciation:		-	-	
Stadium	(205,497,580)	(12,954,118)	-	(218,451,698)
Exhibition Hall and Parking Garage	(39,267,984)	(2,070,313)	-	(41,338,297)
Furniture, Fixture, and Equipment	(8,552,658)	(49,402)	167,820	(8,434,240)
Total Accumulated Depreciation	(253,318,222)	(15,073,833)	167,820	(268,224,235)
Net Capital Assets	$ 251,410,603	$ (13,792,254)	$ -	$ 237,618,349

	July 1, 2017	Increases	Decreases	June 30, 2018
Capital Assets, not depreciated:				
Land Conveyed From King County	$ 34,677,100	$ -	$ -	$ 34,677,100
Construction Work in Progress	-	-	-	-
Capital Assets, depreciated:				
Stadium	387,027,407	-	-	387,027,407
Exhibition Hall and Parking Garage	73,925,630	-	-	73,925,630
Furniture, Fixture, and Equipment	9,162,481	-	(63,793)	9,098,688
Total Capital Assets	504,792,618	-	(63,793)	504,728,825
Accumulated Depreciation:		-	-	
Stadium	(192,543,462)	(12,954,118)	-	(205,497,580)
Exhibition Hall and Parking Garage	(37,197,671)	(2,070,313)	-	(39,267,984)
Furniture, Fixture, and Equipment	(8,553,594)	(62,857)	63,793	(8,552,658)
Total Accumulated Depreciation	(238,294,727)	(15,087,288)	63,793	(253,318,222)
Net Capital Assets	$ 266,497,891	$ (15,087,288)	$ -	$ 251,410,603

H. Compensated Absences Payable

PSA employees earn 12 days of sick leave and 12 to 30 days of vacation per year, unless otherwise specified, depending on the employee's length of service. A maximum of 240 hours of sick leave may be accrued. Unless otherwise specified, the maximum number of vacation hours which may be carried over from one calendar year to the next is one year's accrual at the current earning rate for that employee, provided however, that the total accrual of unused vacation leave must not exceed 1.5 times the current annual rate. 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 Statements of Net Position.

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 expenses to exceed total appropriations without approval by the Board of Directors.

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 Statement 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 Statement 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 0.90 years as of June 30, 2019. 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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018.

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.

As of June 30, 2019, and 2018, the PSA had the following cash, cash equivalents and investments. The amounts reported for the King County Pool are reported at fair value in accordance with GASB Statement No. 31.

Cash, Cash Equivalents and Investments	2019 Fair Value	2018 Fair Value
Investments with King County Pool	$ 8,936,782	$ 9,348,457
Bank Accounts and Cash on Hand	5,100	5,100
Total Cash and Cash Equivalents	$ 8,941,882	$ 9,353,557

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, the use of the five approved methods under GASB Statements 40 and 59 are not applicable

Credit Rate Risk: As of June 30, 2019, and 2018 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 (rated 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.

Fair Value Measurement: The PSA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets. These valuation inputs are considered most reliable.
Level 2 inputs are quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other observables. These valuation inputs are considered to be reliable.
Level 3 inputs are significant unobservable inputs and are considered to be the least reliable.

The PSA relies on the King County Pool to value its investments using the valuation inputs described above. The PSA holds no investments that require valuation using levels 2 or 3 inputs.

NOTE 4 - PENSION PLANS

All employees of the PSA participate in a FICA Replacement Plan and either the Public Employees' Retirement System (PERS) Plan 2 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 and other retirement plans was $429,405.19 for 2019 and $416,602 for 2018.

A. Public Employees' Retirement System (PERS)

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the years 2019 and 2018:

Aggregate Pension Amounts - All Plans	2019	2018
Pension Liabilities	$ 114,035	$ 151,697
Deferred Outflow of Resources	$ 9,550	$ 12,223
Deferred Inflow of Resources	$ 64,378	$ 57,435
Pension Expense	$ 8,275	$ 19,954

PSA has two full-time employees that participate in PERS 2, a state-wide retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan

2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded accrued actuarial liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 and 2017 were as follows:

PERS Plan 2/3 for 2019		
Actual Contribution Rates:	Employer 2/3	Employee 2
July 2018 - June 2019	12.83%	7.41%
Employee PERS Plan 3		varies
PERS Plan 2/3 for 2018		
Actual Contribution Rates:	Employer 2/3	Employee 2
July 2017 - June 2018	12.70%	7.38%
Employee PERS Plan 3		varies

PSA's actual contributions to the plan were $39,622 and $38,828 for the years ended June 30, 2019 and 2018, respectively.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed for June 30, 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' *Comprehensive Annual Financial Report* located on the DRS employer-resource GASB webpage. These assumptions reflect the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 20, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table", published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.4% was determined using a building-block-method. The OSA used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.4% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class		Target Allocation		% Long-Term Expected Real Rate of Return
Fixed Income		20.00%		2.20%
Tangible Assets		7.00%		5.10%
Real Estate		18.00%		5.80%
Global Equity		32.00%		6.30%
Private Equity		23.00%		9.30%

Sensitivity of NPL

The table below presents the PSA's proportionate share of the net pension liability calculated using the discount rate of 7.4% for 2019 and 7.4% for 2018, as well as what the PSA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

2019		1% Decrease (6.4%)		Current Discount Rate (7.4%)		1% Increase (8.4%)
PERS 1	$	107,677	$	85,982	$	67,159
PERS 2/3	$	215,150	$	28,052	$	(125,474)
2018		**1% Decrease (6.4%)**		**Current Discount Rate (7.4%)**		**1% Increase (8.4%)**
PERS 1	$	125,302	$	101,960	$	81,740
PERS 2/3	$	227,498	$	49,737	$	(96,007)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

PSA reported a total net pension liability of $114,035 and $151,697 as of June 30, 2019 and 2018, respectively for its proportionate share of the net pension liabilities as follows:

2019	Liability or Asset
PERS 1	$ 85,982
PERS2/3	$ 28,053
2018	Liability or Asset
PERS 1	$ 101,960
PERS2/3	$ 49,737

At June 30, the PSA's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.002283%	0.002236%	-0.000047%
PERS 2/3	0.002913%	0.002888%	-0.000025%
	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.002355%	0.002283%	-0.000072%
PERS 2/3	0.003030%	0.002913%	-0.000117%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The effect of the change in proportion for PERS 2/3 is calculated to be $427 and $4,065 as of June 30, 2019 and 2018, respectively. Due to its insignificance, PSA has not reported a value for purposes of disclosure of deferred outflow/inflows reported below and has not provided information related to the amortization of these amounts.

Pension Expense

For the years ended June 30, 2019 and 2018, the PSA recognized pension expense of $30,667 and $19,954, respectively for all retirement plans. The portion of pension expense that relates to PERS are as follows:

2019	Pension Expense
PERS 1	$ 4,684
PERS 2/3	$ 3,591
TOTAL	$ 8,275
2018	Pension Expense
PERS 1	$ (2,078)
PERS 2/3	$ (3,060)
TOTAL	$ (5,138)

The changes in the net pension liability, deferred inflows and deferred outflows created a reduction of pension expense in 2019 and the changes exceeded the pension contributions for 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019 and 2018 the PSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		
PERS 1	$ -	$ 5,744
PERS 2/3	-	40,833
Differences between expected and actual experience PERS 2/3	8,037	6,031
Changes of assumptions PERS 2/3	718	11,770
Net PSA Contributions subsequent to the measurement date		
PERS 1	321	
PERS 2/3	473	
Total	$ 9,550	$ 64,378

2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		
PERS 1	$ -	$ 4,052
PERS 2/3	-	30,521
Differences between expected and actual experience PERS 2/3	6,096	8,708
Changes of assumptions PERS 2/3	582	14,155
Net PSA Contributions subsequent to the measurement date		
PERS 1	2,242	
PERS 2/3	3,303	
Total	$ 12,223	$ 57,435

Deferred outflows of resources related to pensions resulting from the PSA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Amortization of other deferred inflows and outflows from 2020 to 2024 and thereafter will have an insignificant effect on future reported pension expense.

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 6.12% (PERS) and 6.2% (FICA) of their annual covered salary and PSA is required to contribute 12.83% (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 $23,887 and $21,036 and by PSA were $23,887 and $21,036 for the years ended 2019 and 2018, respectively. Actual contributions made to the PERS Replacement Plan by members were $4,458 and $4,268 and by PSA were $2,876 and $2,934 for the years ended 2019 and 2018, 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 CenturyLink 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 $2.6 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 $2.6 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 reimbursed by naming rights funds is approximately $32 million, of which $29.5 million had been paid through June 30, 2019.

On June 14, 2017, the PSA approved an extension of the naming rights agreement for a 15-year period from 2019 to 2034. Total payments under this agreement are approximately $69,161,000. $1.8 million has been recognized as a liability as of June 30, 2019. The remaining available amount 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.

REQUIRED SUPPLMENTARY INFORMATION

Schedule of PSA's Proportionate Share of the Net Pension Liability

	2015		2016		2017		2018		2019	
	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1
PSA's proportion of the net pension liability	0.003004%	0.002333%	0.003087%	0.002413%	0.003030%	0.002355%	0.002913%	0.002283%	0.002888%	0.002236%
PSA's proportionate share of the net pension liability	$ 60,722	$ 117,526	$ 155,428	$ 129,589	$ 105,278	$ 111,747	$ 49,737	$ 101,960	$ 28,052	$ 85,982
PSA's covered-employee payroll	$ 261,508	$ 261,508	$ 292,112	$ 292,112	$ 297,691	$ 297,694	$ 319,063	$ 319,063	$ 313,713	$ 313,713
PSA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.22%	44.94%	53.21%	44.36%	35.36%	37.54%	15.59%	31.96%	8.94%	27.41%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	61.19%	85.82%	57.08%	90.97%	61.24%	95.77%	63.22%	97.77%	67.12%

Schedule of PSA Contributions

	2015		2016		2017		2018		2019	
	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1
Contractually required contributions(1)	$ 23,678	$ -	$ 18,199	$ 13,934	$ 19,082	$ 14,200	$ 22,478	$ 15,262	$ 23,591	$ 16,031
Contribution in relation to the contractually required contribution	$ 23,678	$ -	$ 18,199	$ 13,934	$ 19,082	$ 14,200	$ 22,478	$ 15,262	$ 23,591	$ 16,031
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PSA's covered-employee payroll	$ 261,508	$ -	$ 292,112	$ 292,112	$ 297,694	$ 297,694	$ 319,063	$ 319,063	$ 314,395	$ 314,395
Contributions as a percentage of covered-employee payroll	9.05%	0.00%	6.23%	4.77%	6.41%	4.77%	7.05%	4.78%	7.50%	5.10%

(1) PSA does not have information related to Plan 1 for 2015

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	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov