Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State Public Stadium Authority

For the period July 1, 2021 through June 30, 2023

Published February 5, 2024

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Office of the Washington State Auditor
Pat McCarthy

February 5, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Washington State Public Stadium Authority
July 1, 2021 through June 30, 2023

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, as of and for the years ended June 30, 2023 and 2022, 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 22, 2024.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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, State Auditor

Olympia, WA

January 22, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington State Public Stadium Authority
July 1, 2021 through June 30, 2023

Board of Directors
Washington State Public Stadium Authority
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Stadium Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2023 and 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stadium Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stadium Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stadium Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 22, 2024 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 the effectiveness of the Stadium Authority's 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 22, 2024

FINANCIAL SECTION

Washington State Public Stadium Authority
July 1, 2021 through June 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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, 2023 and 2022. Please read it in conjunction with the Authority's financial statements.

FISCAL YEAR 2023 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 Lumen 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.

Lumen 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 Lumen 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, 2023, the net profits due the Permanent Common School Fund from this revenue sharing agreement totals $232,349 as compared to $0 as of June 30, 2022. There were no net profits due to the Permanent Common School Fund from this revenue sharing agreement as the event center had no significant net revenues due to the COVID-19 restrictions.

Lumen 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. Lumen Field serves as home field to the Seattle Seahawks, the Seattle Sounders FC, and OL Reign. 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 PSA 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 Lumen 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 PSA also works with the Master Tenant to enhance fans' experience while attending events at the stadium and event center through approval of facility modifications. 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 lease rent increased from $1,355,062 in 2022 and to $1,477,048 in 2023. 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 $4,261,113 for 2023. The naming rights agreement was modified and extended to 2034. The change in the contract terms meant that the quarterly payment switch from prepayment for three months to a payment that covered three months in arrears. 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 recognized admissions and parking taxes revenues of $22,189,838 for 2023 and $11,204,916 for 2022. Prior to 2021, the State of Washington received these taxes to help fund the bond payments related to the construction of the Stadium, Exhibition Hall and Parking Garage according to statute. These bonds were fully paid as of January 2021, and now flow to the PSA. These revenues are also restricted by statute for the funding of major maintenance and modernization of the stadium and event center.

- The PSA has recognized approximately $7,381,264 and $6,241,787 in liabilities related to major maintenance and modernization projects in connection with the naming rights, and admissions and parking taxes funding as of June 30, 2023 and 2022, respectively. This liability will be paid from future naming rights revenue payments received by the PSA.

- Administrative expenses increased by 8.8% from 2022 to 2023, due mostly to the costs of consulting to work on the Stadium District rezoning efforts. Facilities maintenance cost increased by 18% from 2022 to 2023. Total Operating Expenses increased approximately 5.5% due to the increases in both of these line items. Investment revenue increased from 2022 to 2023, due to the change in the market value of the investment portfolio.

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 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 PSA's net position and changes in it. The PSA'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.

Condensed Comparative Statement of Net Position:		**NET POSITION**	
	2023	**2022**	**2021**
Current and Other Assets	$ 59,019,933	$ 41,019,407	$ 19,093,888
Capital Assets, Net	177,596,886	192,646,687	207,680,469
Total Assets	236,616,819	233,666,095	226,774,357
Deferred Outflow of Resources	92,866	78,609	49,780
Current Liabilities	5,430,034	7,027,183	-
Long Term Liabilities	-	-	3,282,859
Total Liabilities	5,430,034	7,027,183	3,282,859
Deferred Inflow of Resources	12,375,924	13,168,706	450,865
Net Position:			
Invested in Capital Assets, Net	177,596,886	192,627,981	207,510,534
Restricted	20,721,768	10,767,691	7,507,303
Unrestricted	20,585,073	10,153,142	8,072,577
Total Net Position	$ 218,903,727	$ 213,548,814	$ 223,090,413

The PSA's Net Position showed an increase from a year ago, increasing from $213.5 million to $218.9 million. This increase in Net Position is a new trend for the PSA. Previously, depreciation of the stadium, event center, parking garage and furniture, fixtures and equipment, of around $15 million, exceeded increases in assets. The collection of Admission and Parking taxes began in 2021, and is recorded under Non-Operating Revenues. In 2023, the PSA received $22,189,837 in revenue from the new revenue stream. This exceed the depreciation loss and help generate a $5.4 million increase in the PSA's Net Position.

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

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, increased from $10.2 million in 2022 to $20.6 million in 2023. In 2023 the restricted cash accounts contained in the naming rights and the admissions and parking tax cash accounts exceeded the capital and facilities liability. As such, a restricted Net position exists. The net *invested in capital assets* decreased due mainly to the depreciation of capital assets ($15.1 million).

Restricted net position represents amounts held in the naming rights and admissions and parking tax accounts, which are restricted for major maintenance and modernization projects, offset by liabilities related to these restricted assets.

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 and admission and parking tax 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 to 2034 to keep the modernization and major maintenance needs funded for future years.

Condensed Comparative Statement of Changes in Net Position:	**CHANGES IN NET POSITION**		
	2023	**2022**	**2021**
Lease Rent	$ 1,408,110	$ 1,296,070	$ 1,274,481
Total Operating Revenues	1,408,110	1,296,070	1,274,481
Administrative Expenses	885,689	814,214	1,004,439
Facilities Maintenance Cost	7,381,264	6,241,787	2,801,755
Depreciation	15,049,801	15,045,473	15,058,928
Total Operating Expenses	23,316,754	22,101,474	18,865,122
Net Operating Loss	(21,908,644)	(20,805,404)	(17,590,641)
Investment Income and Other	812,606	(368,671)	53,836
Naming Rights Revenue	4,261,114	4,126,193	4,051,013
Admissions and Parking Tax	22,189,838	11,204,916	6,778,314
Total Non-Operating Revenue (Expense)	27,263,558	14,962,438	10,883,163
Increase (Decrease) in Net Position	$ 5,354,914	$ (5,842,966)	$ (6,707,477)

Total *non-operating revenues* increased significantly from 2022 to 2023 due mostly to the easing of pandemic restrictions. This increased the number of events and attendees and thus increased the admissions and parking tax collections. The total administrative expenses increased due mainly to pursuing a zoning change to create a Stadium District. Facilities maintenance expenses increased by approximately $1.4 million from 2022 to 2023 due to FGI increasing major maintenance projects after the pandemic. 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 a decrease in net operating loss of approximately 5% less from 2022 to 2023. Total net non-operating revenue increased from 2022 to 2023 mainly due to the admissions and parking tax revenues, as previously discussed.

Budgetary Highlights

The PSA's Board of Directors adopted the 2024 budget on May 24, 2023. For the year ended June 30, 2023, the PSA's actual operating expenses were less than budgeted operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the Authority had $178 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 8%, from last year. Decreases are from 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 admissions and parking tax proceeds received after the State of Washington's bonds are retired.

Capital asset activity from July 1, 2022 to June 30, 2023 is summarized in the following chart.

	June 30, 2022	Increase	Decrease	June 30, 2023
Capital Assets	$ 505,988,540	$ -	$ -	$ 505,988,540
Accumulated Depreciation	(313,341,853)	(15,049,801)	-	(328,391,654)
Net Capital Assets	$ 192,646,687	$ (15,049,801)	$ -	$ 177,596,886

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, 2022 to June 30, 2023 are presented in the following charts. The Major Maintenance and Modernization project liability and the Net Pension Liability are classified as current for both 2022 and 2023. As such, the only long-term liability is the long term lease of the stadium, event center and garage and deferred inflow of pension resources as of June 30, 2023.

	June 30, 2022	Increase	Decrease	June 30, 2023
Net Pension Liability	$ -	$ -	$ -	$ -
Deferred Inflow of Resources	91,308		(40,568)	50,740
Deferred Lease Revenue	13,077,398		(752,214)	12,325,184
Long-Term Liabilities	$ 13,168,706	$ -	$ (792,782)	$ 12,375,924

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority's appointed Board Members and management considered many factors when setting the fiscal year 2023 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 2023 budget which will offset estimated expenses of $1,477,048. 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
Statements of Net Position
As of June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	$ 35,348,293	$ 20,864,629
Receivables, Net		
Admissions & Parking Tax Receivables	9,791,299	6,301,698
KC Interest Receivables	91,215	17,619
Other Receivables	18	14,387
Due From Common School Fund	232,349	-
Due From FGI for Naming Rights Payments	711,801	692,414
Prepaid Insurance	13,156	12,855
S-T Lease Receivable	1,042,421	-
Total Current Assets	47,230,553	27,903,601
Non-Current Assets		
Capital Assets		
Capital Assets Not Being Depreciated		
Land	34,677,100	34,677,100
Capital Assets Being Depreciated		
Stadium	387,027,407	387,027,407
Exhibition Center & Parking Garage	73,924,982	73,924,982
Furniture, Fixtures and Equipment	10,359,051	10,359,051
Total Capital Assets	505,988,540	505,988,540
Less Accumulated Depreciation	(328,391,654)	(313,341,853)
Net Capital Assets	177,596,886	192,646,687
Total Non-Current Assets	177,596,886	192,646,687
Other Assets		
Net Pension Assets	54,687	38,408
Long Term Lease Receivables	11,734,693	13,077,398
Total Other Assets	11,789,380	13,115,806
Deferred Outflows of Resources		
Deferred Outflow of Resources	92,866	78,609
Total Deferred Outflows of Resources	92,866	78,609
Liabilities		
Current Liabilities		
Accounts Payable	$ 25,355	$ 20,004
Accrued Wages Payable	66,458	46,904
Due to Common School Fund	232,349	-
Reserve for Capital Improvments	5,105,871	6,960,275
Total Current Liabilities	5,430,034	7,027,183
Long Term Liabilities	-	-
Total Liabilities	5,430,034	7,027,183
Deferred Inflows of Resources		
Deferred Inflow of Resources	50,740	91,308
Deferred Lease Revenue	12,325,184	13,077,398
Total Deferred Inflows of Resources	12,375,924	13,168,706
Net Position		
Net Investment in Capital Assets	177,596,886	192,627,981
Unrestricted	20,585,073	10,153,142
Restricted	20,721,768	10,767,691
Total Net Position	218,903,727	213,548,814

See Accompanying Notes to Financial Statements

Washington State Public Stadium Authority
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Stadium and Exhibition Center Lease Revenue	$ 1,408,110	$ 1,296,070
Total Operating Revenues	1,408,110	1,296,070
Operating Expenses		
Administrative and General		
Salaries	351,256	320,133
Benefits	72,640	86,832
Supplies	22,245	39,836
Services	439,547	367,413
Depreciation	15,049,801	15,045,473
Facilities Maintenance Cost	7,381,264	6,241,787
Total Operating Expenses	23,316,754	22,101,474
Operating Income (Loss)	(21,908,644)	(20,805,404)
Nonoperating Revenues (Expenses)		
Interest and Investment Revenue	811,929	(369,229)
Naming Rights Revenue	4,261,114	4,126,193
Admissions and Parking Tax	22,189,838	11,204,916
Other Income	677	558
Total Nonoperating Revenues (Expenses)	27,263,558	14,962,438
Change In Net Position	5,354,914	(5,842,966)
Net Position		
Beginning of Year	213,548,813	219,391,779
End of Year	**$ 218,903,727**	**$ 213,548,813**

See Accompanying Notes to Financial Statements

Washington State Public Stadium Authority
Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from Lease	$ 956,180	$ 978,152
Payments to Employees	(475,446)	(425,369)
Payments to Suppliers	(20,194)	(35,826)
Payment to Services	(436,550)	(365,255)
Payments for Maintenance	(9,235,668)	(5,907,232)
Other Receipts (Payments)	15,046	149
Net Cash Provided (Used) by Operating Activities	(9,196,632)	(5,755,381)
Cash Flows From Capital And Related Financing Activities		
Payments for Capital Assets	-	-
Receipts from Naming Rights Agreement	4,241,726	3,433,779
Receipts from Admission and Parking Tax	18,700,237	7,625,017
Net Cash Provided (Used) by Capital and Related Financing Activities	22,941,963	11,058,797
Cash Flows From Investing Activities		
Receipts from Cash Equivalents, less Market Value Adjustment	(229,448)	(490,211)
Interest Received	967,782	110,288
Net Cash Provided (Used) by Investing Activities	738,334	(379,923)
Net Increase (Decrease) in Cash and Cash Equivalents	14,483,664	4,923,492
Cash and Cash Equivalents		
Balances - Beginning of the Year	20,864,629	15,941,137
Balances - End of the Year	**$ 35,348,293**	**$ 20,864,629**

See Accompanying Notes to Financial Statements

Washington State Public Stadium Authority
Notes to Financial Statements
For the years ended June 30, 2023 and 2022

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 include the operating, naming rights, admissions and parking tax, and modernization and maintenance funds.

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, 2023 were made subsequent to the measurement date of June 30, 2022 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. 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 $20,517,884 for 2023 and $11,699,574 for 2022. These amounts are the sum of admissions and parking taxes and naming rights. The restricted cash is considered, along with the expected receipts of restricted revenue during the year ended June 30, 2023, 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 $14.6 million and annual payments will approximate $1,540,000 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.

Lease revenues are recognized as amortization of the related deferred inflow and interest income on the lease receivable. Interest income included in Lease Revenue on the Statements of Revenue, Expenses and Changes in Net Position were $461,660 and $426,126 for the years ended June 30, 2023 and 2022, respectively.

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. During 2021, the bonds were completely paid off, so certain parking and admission taxes are now remitted to the PSA.

Investment revenues have been classified as non-operating revenue.

Naming rights and admissions and parking tax revenues are recorded as non-operating revenue, as they are 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. G).

The following is a summary of changes in long-term liabilities:

	Maintenance and Modernization Cost Payable	
	Long Term	**Current**
Balance at June 30, 2021	$ -	$ 6,981,493
Change during June 30, 2022	-	45,690
Balance at June 30, 2022	-	7,027,183
Change during June 30, 2023	-	(1,597,150)
Balance at June 30, 2023	$ -	$ 5,430,033

As of June 30, 2023, and 2022, 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. In addition, the PSA and FGI entered into a Security Agreement on the 23rd day of February, 2006, which specified that the first $6 million of admissions tax collected by the PSA will be deposited into a Cash Security Account and the standby letter of credit can be extinguished. This action occurred in October 2021. The Cash Security Account is included in the Cash and Cash Equivalents caption.

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, 2022 to June 30, 2023:

	June 30, 2022	Increases	Decreases	June 30, 2023
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	73,924,982	-		73,924,982
Furniture, Fixture, and Equipment	10,359,051			10,359,051
Total Capital Assets	505,988,540	-	-	505,988,540
Accumulated Depreciation:				
Stadium	(257,314,052)	(12,954,118)	-	(270,268,170)
Exhibition Hall and Parking Garage	(47,549,236)	(2,070,312)	-	(49,619,548)
Furniture, Fixture, and Equipment	(8,478,565)	(25,370)	-	(8,503,935)
Total Accumulated Depreciation	(313,341,853)	(15,049,801)	-	(328,391,654)
Net Capital Assets	$ 192,646,687	$ (15,049,801)	$ -	$ 177,596,886

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 480 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. Accumulated sick leave is paid out only at retirement and is forfeited upon all other terminations of employment. The accrual for unused vacation is included in salaries payable in the accompanying Statements of Net Position.

I. Leases

The Authority implemented the provisions of GASB Statement No 87: Leases, with the presentation of the 2021-2022 Annual Financial Statements. The Master Lease Agreement is an agreement between First and Goal, Inc. (FGI) and the Authority for FGI to act as the sole Master Tenant of the premises that includes the stadium, event center, parking garage and north parking lot. The initial term runs until 2032. FGI shall have the right to extend the initial term for three (3) successive periods of ten (10) years each.

Basic Rent was established in 2002 as $850,000 plus the amount, if any, by which the reasonable PSA Operating Expenses for that lease year exceed the Basic Rent. Basic Rent is increased annually by the December CPI-U for the Seattle-Tacoma-Bellevue index. Indexing may cause Basic Rent to increase or remain the same, but Basic Rent may not decrease. Basic Rent covers the period of July 1st through June 30th. Cash paid for rent was $1,408,110 and $1,296,070 for the year ended June 30, 2023 and 2022, respectively.

The current value of the leased assets are calculated as follows:

Value of Assets in Capital Lease	June 30, 2022	Increase	Decrease	June 30, 2023
Land conveyed from King County	$ 34,677,100	$ -	$ -	$ 34,677,100
Stadium, Exhibition Center & Parking Garage	460,952,389	-	-	460,952,389
Furniture, Fixtures and Equipment	10,359,051	-	-	10,359,051
Accumulated Depreciation	(313,341,853)	(15,049,801)	-	(328,391,654)
Total Capital Assets	$ 192,646,687	$ (15,049,801)	$ -	$ 177,596,886

The Authority recognizes a lease receivable and deferred inflow of resources for the Master Lease Agreement. As of June 30, 2023 and 2022, the estimated net present value of the remaining rent is $12,777,114 and $13,077,398, respectively, based on the management estimate of the incremental borrowing rate at adoption of GASB 87.

For the Year Ending June 30,	Principle	Interest	Total
2024	$ 1,042,421	$ 369,060	$ 1,411,481
2025	1,136,486	336,499	1,472,985
2026	1,236,125	301,043	1,537,168
2027	1,341,635	262,514	1,604,149
2028	1,453,311	220,737	1,674,048
2029 - 2032	6,567,136	394,625	6,961,761
	$ 12,777,114	$ 1,884,478	$ 14,661,592

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 0.72 years as of June 30, 2023 and 1.11 years as of June 30, 2022. Due to its highly liquid nature from the PSA's perspective, the pool is considered a cash-equivalent.

The King County Investment Pool had impaired assets in the past, but as of October 2021, all lawsuits involving the securities held in the impaired pool have been settled, and all the parties involved in these lawsuits have reached a mutually acceptable resolution by way of a negotiated settlement that will avoid protracted litigation, there was no admission of liability, and all sides are satisfied with this resolution.

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, 2023, and 2022, 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	2023 Fair Value	2022 Fair Value
Investments with King County Pool	$ 35,334,450	$ 20,845,325
Bank Accounts and Cash on Hand	13,843	19,304
Total Cash and Cash Equivalents	$ 35,348,293	$ 20,864,629

PSA uses the valuations provided by King County. 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. In 2021, the PSA established a health reimbursement account for employees. The bank account related to this plan had a balance of approximately $8,798 as of June 30, 2023 and $9,956 as of June 30, 2022. The change in Cash, Cash Equivalents, and Investments from 2022 to 2023 in the chart above is due to naming rights and admissions and parking taxes growth in 2023.

Credit Rate Risk: As of June 30, 2023, and 2022 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. The PSA recorded a decrease in market value of $652,400 as of June 30, 2023.

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 the Public Employees' Retirement System (PERS) Plan 2. 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 $344,662 for 2023 and $325,980 for 2022.

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 2023 and 2022:

Aggregate Pension Amounts - All Plans	2023	2022
Pension Asset	$ 54,687	$ 38,408
Pension Liabilities	-	-
Deferred Outflow of Resources	92,866	78,609
Deferred Inflow of Resources	54,687	38,408
Pension Expense (Credit)	$ (38,143)	$ (92,554)

PSA has two full-time employees as of June 30, 2023 and two full-time employees as of June 30, 2022 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 (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

Or the DRS ACFR 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 2023 and 2022 were as follows:

PERS Plan 2/3 for 2023		
Actual Contribution Rates:	Employer 2/3	Employee 2
July 2022 - June 2023	10.25%	6.36%
Employee PERS Plan 3		Varies

PERS Plan 2/3 for 2022		
Actual Contribution Rates:	Employer 2/3	Employee 2
July 2021 - June 2022	10.25%	6.36%
Employee PERS Plan 3		Varies

PSA's actual contributions to the plan were $18,811 and $25,454 for the years ended June 30, 2023 and 2022, respectively. The decrease is due to the reduction of employees.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' *Annual Comprehensive Financial Report* (ACFR) located on the DRS website. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 Actuarial Valuation Report. https://leg.wa.gov/osa/

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 20, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Change in Assumptions and Methods: Actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods:

Assumption Changes:

- There were no assumption changes that impacted PERS 2/3; please see the full report for additional details.

Method Changes: Methods did not change from the prior contribution rate setting in the June 30, 2019 Actuarial Valuation Report (AVR).

Discount Rate: The discount rate used to measure the total pension liability was 7.0% for all plans. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Based on the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's 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 7.0% was used to determine the total liability.

Sensitivity of NPL

The table below presents the PSA's proportionate share of the net pension liability calculated using the discount rate of 7.0% for 2023 and for 2022, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate.

2023	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 57,819	$ 41,386	$ 27,043
PERS 2/3	$ 104,491	$ (96,073)	$ (260,849)

2022	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 67,441	$ 50,481	$ 35,678
PERS 2/3	$ 102,376	$ (86,934)	$ (242,464)

Long-Term Expected Rate of Return

OSA selected a 7.0% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market

Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below presents the summarizes the 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, 2022. The inflation component used to create the table is 2.20% 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%		1.50%
Tangible Assets		7.00%		4.70%
Real Estate		18.00%		5.40%
Global Equity		32.00%		5.90%
Private Equity		23.00%		8.90%

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 asset of $54,687 as of June 30, 2023 and a net pension asset of $38,408 as of June 30, 2022, for its proportionate share of the net pension assets or liabilities as follows:

At June 30, 2023 the PSA's proportionate share of the collective net pension liabilities was as follows:

2023		Liability		Asset
PERS 1	$	46,054	$	-
PERS2/3	$	46,071	$	36,168

2022		Liability		Asset
PERS 1	$	52,569	$	8,712
PERS2/3	$	(17,728)	$	82,596

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.00001888	0.00001813	-0.000075%
PERS 2/3	0.00002453	0.00002344	-0.000109%

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 LEOFF1.

The effect of the change in proportion for PERS 2/3 is calculated to be $4,043 and $195,646 as of June 30, 2023 and 2022, 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

Due to the large change in PERS 2/3 from a net pension liability in 2022 to a net pension asset in 2023, the recognized pension expense was reduced substantially from 2022 to 2023. For the years ended June 30, 2023 and 2022, the PSA recognized a pension credit of $18,811, and a pension expense $20,093 and, respectively for all retirement plans. The changes in the net pension liability, deferred inflows and deferred outflows created a reduction of pension expense in 2023 and 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023 and 2022 the PSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected And Actual Earnings On Pension Plan Investments		
PERS 1		4,669
PERS 2/3		36,206
Differences Between Expected And Actual Experience PERS 2/3	19,570	1,073
Changes Of Assumptions PERS 2/3	40,335	8,791
Net PSA Contributions Subsequent to The Measurement Date		
PERS 1	10,347	
PERS 2/3	17,255	
Total	$ 87,506	$ 50,740

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected And Actual Earnings On Pension Plan Investments		
PERS 1		8,712
PERS 2/3		67,260
Differences Between Expected And Actual Experience PERS 2/3	22,542	2,059
Changes Of Assumptions PERS 2/3	50,707	13,277
Net PSA Contributions Subsequent to The Measurement Date		
PERS 1	26,908	
PERS 2/3	45,841	
Total	$ 145,998	$ 91,308

Deferred outflows of resources related to pensions resulting from the PSA's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Amortization of other deferred inflows and outflows from 2023 to 2022 and thereafter will have an insignificant effect on future reported pension expense.

B. PSA Retirement Plans

Employees participate in the FICA Replacement Plan in accordance with section 401(a) (27) (B) of the Internal Revenue Code. The International City Management Association Retirement Corporation (ICMA) administers this plan 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 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. Plan members are required to contribute 6.2% of their annual covered salary and

PSA is required to contribute 6.2% of annual covered payroll. All contributions to the Plan vest immediately.

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, ADMISSIONS AND PARKING TAXES, AND MAJOR MAINTENANCE AND MODERNIZATION COMMITMENTS

As discussed in Note 1.F., the PSA receives naming rights payments from FGI under its agreement with Lumen 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 (now Lumen), the five-year option was exercised.

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. $5.1 million has been recognized as a liability as of June 30, 2023. 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.

Amounts received under these agreements 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 $47 million, of which $42.9 million had been paid through June 30, 2023. Additional $9.2 Million had been paid through Admissions & Parking Tax as June 30, 2023.

Prior to January 2021, King County collected admissions and parking taxes on the stadium, exhibition hall and parking garage revenues that were remitted to the State of Washington for use in the payment of the bonds issued to fund the construction of the facility. The bonds were retired in January 2021. The original legislation directs that once the bonds are retired, the admissions and parking taxes flow to the PSA. As of June 30, 2023, the PSA has earned $22,189,838 reflected as non-operating revenue in the Change of Net Position. The receipts are restricted by statute for the funding of modernization and major maintenance of the stadium and exhibition center

NOTE 7 - COVID-19 PANDEMIC

In February 2020 the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The PSA experienced no operating financial exposure from the closures of COVID-19 during 2021-2023. The rent payment from FGI is not dependent or affected by facility use. The naming rights payments are contained in a fixed contract and not impacted by COVID-19.

The PSA did see impacts from COVID-19 upon the annual payment to the Common School Fund, and the admissions and parking tax collections.

Twenty percent of the event center net profits go to the State of Washington Permanent Common School Fund for public school improvements. The net profits due to the Permanent Common School Fund from this revenue sharing agreement produced $232,349, and $0 for 2023 and 2022 respectively. This is due to reduced event center activity in 2020 and 2021. In the year previous to COVID-19 (2019), the event center generated about $406,000 for the Common School Fund.

Similarly, admission and parking taxes were below expected normal in FY2022 at $11 million, compared with FY2023 collections of $22 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017		2018		2019		2020		2021		2022		2023	
	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	PERS 2/3	PERS 1	PERS 2/3	PERS 1
PSA's Proportion of The Net Pension Liability	0.003030%	0.002355%	0.002913%	0.002283%	0.002888%	0.002236%	0.003761%	0.002898%	0.004417%	0.003430%	0.002453%	0.001888%	0.002344%	0.001813%
PSA's Proportionate Share of the Net Pension Liability (Asset)	$ 105,728	$ 111,747	$ 49,737	$ 101,960	$ 28,052	$ 85,982	$ 48,101	$ 102,315	$ (440,004)	$ 41,888	$ (90,976)	$ 52,569	$ (96,073)	$ 41,386
PSA's Covered-Employee Payroll	$ 297,691	$ 297,694	$ 319,063	$ 319,063	$ 313,713	$ 313,713	$ 437,433	$ 437,433	$ 528,283	$ 528,283	$ 309,904	$ 309,904	$ 325,980	$ 325,980
PSA's Proportionate Share of the Net Pension Liability (Asset) As a Percentage of Its Covered-Employee Payroll	35.52%	37.54%	15.59%	31.96%	8.94%	27.41%	11.00%	23.39%	-83.29%	7.93%	-29.36%	16.96%	-29.47%	12.70%
Plan Fiduciary Net Position As A Percentage of the Total Pension Liability	90.97%	61.24%	95.77%	63.22%	97.77%	67.12%	97.22%	68.64%	120.29%	88.74%	76.56%	106.73%	80.16%	107.02%

Schedule of PSA Contributions

	2017		2018		2019		2020		2021		2022		2023	
	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	PERS 2/3	PERS 1	PERS 2/3	PERS 1
Contractually Required Contributions	$ 19,082	$ 14,200	$ 22,478	$ 15,262	$ 23,591	$ 16,031	$ 34,645	$ 21,006	$ 41,840	$ 25,549	$ 19,710	$ 11,570	$ 20,605	$ 12,356
Contribution In Relation To the Contractually Required Contribution	$ 19,082	$ 14,200	$ 22,478	$ 15,262	$ 23,591	$ 16,031	$ 34,645	$ 21,006	$ 41,840	$ 25,549	$ 19,710	$ 11,570	$ 20,605	$ 12,356
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PSA's Covered-Employee Payroll	$ 297,691	$ 297,694	$ 319,063	$ 319,063	$ 313,713	$ 313,713	$ 437,433	$ 437,433	$ 528,283	$ 528,283	$ 309,904	$ 309,904	$ 323,981	$ 323,981
Contributions As A Percentage of Covered-Employee Payroll	6.41%	4.77%	7.05%	4.78%	7.50%	5.13%	7.92%	4.76%	7.92%	4.87%	6.36%	3.71%	6.36%	3.85%

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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