

# PUBLIC FACILITIES DISTRICT AUDIT PLANNING GUIDE



**April 6, 2022**

## *Table of Contents*

WHAT'S NEW .....	2
REQUIRED RISKS TO ASSESS .....	2
BACKGROUND .....	2
PLANNING & ADMINISTRATION .....	3
ACCOUNTABILITY .....	5
FINANCIAL STATEMENTS .....	8
SINGLE AUDIT .....	9
APPENDIX 1: PFD Structures .....	10
APPENDIX 2: PFD Financial Condition Risk Levels .....	13

## *Planning Guide Information*

Supersedes previous planning guide dated February 18, 2020. Please direct questions or suggestions to the Public Facility District (PFD) Subject Matter Expert.

Guidance is based on the extensive research, brainstorming and reviews conducted as part of the [planning guide update process](#). Guidance is intended only for internal use to help auditors gain an understanding of PFDs. The guide is intended to enhance planning and risk assessment procedures, not replace them. Information in the guide should therefore be considered along with other planning and risk assessment procedures. While guidance is designed to be as comprehensive as feasible, auditors must be alert for audit issues and situations not specifically addressed.

**This guide is used by the State Auditor's Office staff as they plan audit engagements. Information presented in this document does not represent policy or legal guidance. State agencies and local governments should contact their legal counsels with specific questions.**

## **WHAT'S NEW**

Auditors should be aware of the following significant updates:

- [Financial Condition Risk Levels](#) – The appendix has been updated with an initial risk analysis for financial condition. This analysis should be considered during planning. The risk level does not, by itself, indicate an audit issue. This information is designed as an alert to a potential situation that will need further analysis.

## **REQUIRED RISKS TO ASSESS**

The following risks must be documented as red flags and discussed during brainstorming to ensure sufficient consideration. They should be prioritized for audit to the extent they are applicable and significant to the district.

### ***EFT Controls***

Payroll and vendor electronic file transfer (EFT) related cyber frauds continue to occur. Accordingly, controls over EFTs is a required risk to assess for all entities we audit. When assessing this area of risk, auditors should talk with the entity about its controls related to changing existing EFT contact information and associated bank account numbers. The approach perpetrators of these frauds use has evolved to include changing contact information for existing EFT transactions before requesting a change to the associated bank account numbers. Previously, entities were encouraged to follow up with the contact information known at the time of the request for changes to bank account information; however, a stronger control is to independently confirm any change to payroll or vendor profile contact information or banking account information. Individuals with the ability to change or add EFT accounts need to have clear guidance on the process to authorize these changes through a proper validation method. [A testing strategy is available in TeamMate at Accountability | Expenses | EFT Disbursements | Controls over EFTs](#). Contact Team IT Audit at [SAOITAudit@sao.wa.gov](mailto:SAOITAudit@sao.wa.gov) for additional clarification or guidance.

### ***Financial Condition***

Financial condition risk will be assessed as a baseline test for accountability audits and as part of our going concern analysis for financial audits. Governments have experienced a wide range of effects as a result of COVID-19; auditors should be alert for any risks to financial condition and review [FYI 2020-01](#) for expected disclosures.

Nearly all the state's PFD projects (e.g., convention centers, performing arts centers, etc.) have the same inherent financial risks (unstable revenues, subject to market competition, reliant on key suppliers or customers, etc). A central analysis has been performed and included in an [Appendix](#) with an initial risk analysis for financial condition for each PFD. This analysis should be considered during planning. The risk level does not, by itself, indicate an audit issue. This information is designed as an alert to a potential situation that will need further analysis. See also [Measurement of Financial Health](#).

## **BACKGROUND**

Public facilities districts (PFDs) are municipal corporations created by a city (under RCW 35.57.010) or a county (under RCW 36.100.010) to acquire and operate certain public facilities. **Although the statutes are similar, they are not the same.** It is therefore important to determine which statute the district was created under in order to determine its precise authority and statutory requirements.

City PFD boards consist of five (single city PFDs) or seven (multi-city and combined city-county PFDs) members selected in part by the cities (and county for combined city-county PFDs) and in part based on recommendations from local organizations such as local chambers of commerce, local economic development councils, and local labor councils. County PFD boards consist of five, seven or nine members, depending on ratio of the population of the largest city in the county to total county population appointed in part by the county, in part by the largest city and in part by other board members. If a county PFD imposes a lodging tax, then the board must include a representative of the lodging industry.

### ***Authority and Common Activities***

It's important for auditors to determine that the PFD has not exceeded its authority. PFDs may only construct and operate public facilities that are specifically authorized and defined by the statute under which the PFD was created. PFDs created under the city PFD statute may develop and operate one or more regional centers as defined by RCW 35.57.020(1). PFDs formed under the county PFD statute have slightly broader powers to develop and operate sports facilities, entertainment facilities and convention facilities in addition to regional centers. RCW 35.57.025 and RCW 36.100.025 require an independent financial feasibility review conducted by the Department of Commerce before a new PFD can be formed and before a PFD can issue new debt, or enter into a long lease, purchase or development of a facility. The review must be submitted to the governor, state treasurer, SAO, the PFD(s), participating political subdivisions, and appropriate committees of the legislature.

Operations may be run by the district or by contract with a service provider. PFDs may also contract with the county to exercise the powers of a community renewal agency pursuant to RCW 35.57.020(2). Additional limitations on the authority or activities of a specific PFD are often set forth in the ordinance/resolution forming the district or in the district charter.

### ***Industry, Regulatory and Other External Factors***

A PFD may own the facility it is funding or it may simply be a funding source to an existing facility operated by another government or non-profit (see the [Appendix](#) for a summary of the structure of each PFD). PFDs that own the facility face a number of business risks from market competition and financial sustainability. While operations are subsidized by tax revenues, most districts are in a position where events or activities must be consistently and sufficiently profitable to cover operating expenses and relatively high debt service loads.

Demand for district facilities is often subject to market conditions and may be highly influenced by the center's location, ability to attract high-demand events and regional competition with other venues. Districts may also be dependent on key tenants or sponsors. Nationally, convention and special event centers have struggled to be self-sufficient.

Districts operating a facility will typically enter into facility management contracts with private vendors. In these cases, it can be unclear where the district ends and the vendor begins. Questions may arise regarding what funds constitute public resources, what are public documents, when are public bidding requirements triggered, and whether lending of credit or inappropriate delegation of powers have occurred (such as allowing the vendor to make expenditures without PFD audit, certification and governing body approval).

### ***Measurement of Financial Health***

In addition to typical measures of financial condition (trend in cash or fund balances, operating margin and debt load), it is critical that auditors understand what drives the district's revenues and inquire further about the outlook for key revenue streams. For districts dependent on event revenues, we would expect the district calculates and monitors event profitability and would have such analysis available for review. See also [Required Risks to Assess](#).

## **PLANNING & ADMINISTRATION**

### ***Other Auditors***

A PFD may contract directly with external CPA firms for financial statement audits. This is a more common situation when the PFD is engaged in public-private partnerships. In some cases, we audit PFDs on a 2 or 3 year cycle for accountability purposes, while a CPA firm performs the annual financial audit. The CPA Audit Review is to be performed annually (or as frequently as the external report is issued), regardless of the accountability audit frequency. See the [Review Work of Others](#) planning guide for additional information and contact the [CPA Audit Coordinator](#) for questions. The following guidelines summarize auditor responsibilities when all or part of a financial audit is performed by an external CPA firm or as part of another SAO audit.

- When **all** of the primary government audit is performed by an external auditor in lieu of an SAO audit, follow Audit Policy 3510, perform a "CPA Audit Review" in a separate TeamMate file ([available in the TeamStore under Special Engagements | CPA Audit Review](#)) and charge time to project code "CPAP". This TeamMate file must be completed prior to planning the Accountability Audit.
- When **part** of the audit is performed by an external auditor or as part of another SAO audit, follow Audit Policy 6240, use the appropriate "Rely on Work of Others" audit program ([available in TeamStore under Financial Statements | Rely on Work of Others](#)) and charge time to project code "CPAR". This work should be started as soon as possible during planning.
- When **part** of the audit is performed by an external auditor in lieu of an SAO audit and it is **significant** to the primary government, follow both Audit Policy 3510 and 6240, perform a "CPA Audit Review" coding time to "CPAP" and use the appropriate "Rely on Work of Others" audit program coding time to "CPAR".

### ***Entrance and Exit Invitations to Creating City or County***

Depending on the creating city or county's involvement in PFD operations, teams should consider inviting representatives from creating governments to the PFD entrance and exit. Teams should also consider communications with the creating city or county on any potential findings.

### ***Key Planning Information for each PFD***

Key information about PFD operations the auditor should document in permanent file would include:

- **Facilities** – The type of facility (or facilities) that the PFD operates is the foundation for auditor expectations about specific activities, revenue streams and sources of public assets.
- **Limitations or Requirements imposed by Charter** – Unique limitations or requirements are often imposed on PFDs as part of the authorizing ordinance or resolution that created the PFD or as part of the district charter established by the governing body.
- **Whether matching requirements of RCW 82.14.390(5) apply** – if the PFD is subject to the 33% matching requirement on regional center sales tax revenues, it would be considered a material compliance requirement and auditors should document the revenue streams the district is using as a match.
- **Use of County Treasurer** – If the PFD uses the city or county as its treasurer, city or county reports would provide an independent third-party confirmation of all expenditures, all deposited revenues, cash balances and any debt. There would also be a much lower risk of non-compliance with requirements related to authorized investments, expenditure auditing and certification, and debt issuance.
- **Segregation of Duties** - A small district will often employ a single accountant or a bookkeeper to perform all billing, receipting, accounting and support services, with little or no monitoring oversight. Segregation of duties may be enhanced or weakened by contracted facility managers and whether or not the district uses the city or county as its treasurer. The determination of whether effective segregation of duties exists should be a pervasive consideration in assessing risk and designing tests, especially for accountability audits. See also the Center's resource [Segregation of Duties: Essential Internal Controls](#).
- **Facility Management Contact** – If the PFD contracts for management of the facility, our risk assessments and audit approach should change depending on how much the contracted manager is directly involved in receipting, initiating expenditures, safeguarding public resources and ensuring compliance with laws. Safeguarding and non-compliance risks typically increase when contracted managers operate public facilities. Such risks are mitigated to the extent of effective PFD monitoring procedures.

- **Relationships with foundations and other non-profits** – Unique services provide PFDs the opportunity to have close relationships with foundations and non-profits. This increases the risk that districts do not have adequate controls in place to separate public and private resources, which could result in a gift of public funds. In addition, we would expect there to be an agreement in place between the PFD and any foundation or non-profit outlining operating and financial responsibilities.
- **PFD Structures** - Our Office issued the "Audit Summary - Public Development Authorities and Public Facilities Districts" report to the Legislature summarizing the audits of the state's public development authorities and public facilities districts. This report describes the different scenarios regarding debt related to PFDs and the creating cities and counties. The full report can be found on MRCS' [website](#) (scroll down slightly to 'References'). Auditors should review [Appendix 1](#) in this guide and determine if any structures have changed. Please contact the PFD expert with any questions or changes.

## **ACCOUNTABILITY**

For PFDs created by counties, the district's treasurer is the County Treasurer (under RCW 36.100.100). However, for PFDs created by cities, the treasurer is unspecified.

### ***Revenues***

The auditor should consider the facility or facilities the PFD operates in developing expectations about what revenue streams may be present. Most PFDs operate facilities with significant sources of locally receipted funds. Common revenue streams include the following:

- Charges and fees for the use of facilities, which may include gate, concession, parking and/or facility/equipment rental revenues
- Sponsor (advertising) revenues
- Gifts, grants, and donations
- State sales tax credit (up 0.033% of the sales price; Regional Centers only)
- Voter-approved lodging taxes (*county PFDs only*)
- Voter-approved excess property tax levies (*county PFDs only*)
- Admission taxes (up to \$0.01 on \$0.20 of admissions charges; Regional Centers only)
- Parking taxes (up to 10% ; Regional Centers only)
- Voted sales taxes (up to two-tenths of 1%)

Third-Party Receipting includes payments made online, in person, by mail or phone using E-check/ACH or credit card. PFDs might be using third-party service organizations for payment processing. To determine if a particular PFD uses third parties for receipting, check its website for payment options and inquire with PFD personnel (typically, IT staff need to be involved with the interface, so they are a good place to start).

Auditors should use the **"Third Party Receipting" step** available in TeamMate in the Accountability | Revenues folder to evaluate this risk. Additional information about third-party receipting is available through the Center for Government Innovation at [Third Party Receipting: Contracting with Vendors to Accept or Process your Payments \(wa.gov\)](#).

### ***Expenditures***

If the PFD contracts for management of the facility, there is often a separate or special process for reimbursing expenses paid by the facility manager. It is important to confirm the process and controls these expenses are subject to, as we would expect them to be handled differently than normal AP payments (even if this is just an additional review or reconciliation as part of the normal AP process).

An area to be aware of when reviewing PFD expenditures is credit and procurement cards. Credit cards and open/charge accounts is an area where fraud trends are increasing. PFDs should have policies in place governing the use of such cards under RCW 43.09.2855. We are also seeing increasing use of credit cards for promotional hosting activities and lack of documentation of the business purpose. More on promotional hosting can be found below. In addition to a policy, we would expect PFDs to have adequate controls in place to monitor usage and maintain adequate documentation.

Questions to consider include: Is someone independent reviewing all of the charges? Is the reviewer looking at the itemized receipts/invoices? Is the reviewer ensuring the purchaser is not also seeking personal reimbursement for the same items bought on the card/account?

The board must adopt a travel policy under RCW 35.57.050 (City Statute) or RCW 36.100.110 and .120 (County Statute).

### ***Assets***

Significant sources of public assets may be associated with the facility that the PFD operates. The auditor should consider the facility and management contract in developing expectations about the nature and extent of any high risk equipment and inventory.

The Budgeting, Accounting, and Reporting System (BARS) Manual requires local governments to develop policies and procedures to ensure public resources are protected from misappropriation, loss or misuse. Further, we would expect these policies to clearly define what the PFD considers small and attractive, and what is considered capital assets. A common threshold distinguishing between the two is assets that cost \$5,000. Small and attractive assets should also be clearly identified as those that are theft sensitive such as laptops, cameras, sound equipment, etc. and should have a method of tracking such assets.

Event tickets or passes would be a high risk asset closely associated with cash receipting systems. PFDs may be contractually obligated to give away tickets for promotional purposes or simply to fill the house. [When testing this area, auditors should consider the "Comp & Promo Ticket Testing" step available in TeamMate in the Accountability | Entity-Specific Areas | Public Facility Districts folder.](#)

### ***Compliance Requirements***

General compliance requirements apply to PFDs, including Open Public Meetings Act, expenditure audit and certification, conflict of interest, insurance / bonding requirements and authorized investments. RCW 36.100.140 states that PFD's *may* purchase liability insurance (indicating it is not mandatory); however, adequate insurance coverage is an expected internal control to safeguard public resources and Chapter 48.62 RCW would require approval by the State Risk Manager to self-insure, which is the alternative to adequate purchased insurance.

Note, as a proprietary fund, PFD budgets are not considered appropriations; therefore, Districts are not required to limit expenses to the adopted budget.

Other notable compliance requirements are as follows:

- **Self-Insurance Programs**—RCW 43.09.260(1) and Audit Policy 1210 require an examination of all individual health and welfare programs and local government self-insurance programs at least once every two years. (*Note: Self-Insurance will need to be included in every audit for those on a 2- or 3-year cycle.*) Self-insurance programs or assumptions of any insurable risk type include: liability, property, health and welfare, worker's compensation, and unemployment compensation. Auditors should review the Schedule 21, which requires all local governments to report self-insurance or the assumption of any insurable risk type to help identify self-insurance programs. Self-insurance is a complicated topic and it can be challenging to complete an accurate Schedule 21. The auditor should consider the risk that self-insurance programs are not identified. [The "Self-Insurance Assessment" workbook located in the Accountability Planning folder](#) can assist auditors in better understanding if the entity self-insures and what type of information can be gathered to help better assess risks. Please note: This step and workbook is a planning procedure to help assess audit risk, and is not intended to be a substantive procedure. [Self-insurance steps are available in TeamMate in the Accountability | Compliance Requirements | Self-Insurance folder to examine these programs.](#)
- **Bond Compliance** - PFDs may issue either general obligation debt (secured by taxes) – which would be subject to the constitutional debt limitation – or revenue debt, which is not subject to the limit. Revenue debt typically contains covenants to establish a reserve and/or contingency fund and a requirement that earnings are at least 1.25 times the annual debt service requirements. We would



expect that PFD bond issuances are tax-exempt; generally, for bonds to receive tax-exempt status the project financed must be (1) used for a public purpose, as opposed to a private activity, and (2) must be repaid from public funds and not private sources. Any management contract with a private party must meet the safe harbor requirements under the federal tax code. **If the PFD is operating its project in a way that indicates a risk to the tax-exempt status of bonds, we should have the District contact its bond counsel to confirm whether there is an issue or not.**

- **Bidding and Procurement:**

**Public Works** – Districts may use alternative public works procedures (in Chapter 39.10 RCW), but statutes don't specify the process or thresholds that must be used to competitively bid public works (RCW 36.100.030(4) or RCW 35.57.020(6)). Since the enacting statutes do not specify the process, the district should enact its own policy on competitive bidding for public works projects.

**Purchases and Sales** – Districts may use state agency competitive bidding rules in RCW 39.26.090 for purchases and sales, but PFD statutes don't specify the process or thresholds that must be used to competitively bid purchases and sales (RCW 36.100.190 or RCW 35.57.080). Since the enacting statutes do not specify the process, the district should enact its own policy on competitive bidding for purchases and sales.

- **Service Providers** – A competitive RFP process - in accordance with board policies adopted by resolution - is required to select service providers (often referred to as facility managers or property managers), under RCW 36.100.180 or RCW 35.57.070. County PFDs must administer a competitive solicitation process for **all** service contracts over \$150,000 that are not governed by Chapter 39.80 RCW (i.e. engineering and architectural services). Exceptions to this new requirement are contracts for emergency purposes, amendments to existing contracts, sole source purchases and contracts that were in place before the effective date.
- **Facility Management Contracts** – Many districts contract with vendors for district management, management of facilities and a variety of services. Management companies and vendors are not always aware of state laws and compliance requirements. The PFD should have adequate internal controls to ensure that the district's activities are in compliance with applicable PFD laws, that revenues and other public assets are adequately safeguarded and that expenses paid for with public funds are valid and appropriate. Further, there is a risk that the management contracts may result in an improper delegation of powers to the contractor governing the receipt and expenditure of public funds (ex: relinquishing responsibility for internal controls to the contractor or allowing the contractor to make inappropriate expenditures).
- **Concession and Franchise Agreements** – Districts provide unique services that are not offered at other entities, specifically for concessions and franchises. In general, there are no statutory requirements for districts to competitively bid these services. These agreements benefit the district through a payment of a flat fee or percent of revenues. Therefore, we would expect district policy to establish a competitive solicitation process to ensure the most advantageous agreement is being entered into and to ensure it has adequate controls over safeguarding of public resources.
- **Promotional Hosting** - PFDs have been allowed to expend funds for promotional hosting activities, which may include expenses for meals, refreshments (including alcohol), lodging, transportation, entertainment, promotional tickets and gifts of nominal value in connection with business meetings, social gatherings and ceremonies. For promotional activities the district board must include the proposed expenditure in its annual budget and adopt written rules governing promotional hosting, under RCW 36.100.160 or 35.57.060. In addition, for promotional hosting expenses to be allowable, such expenses must be reasonable, be directly related to the district's facilities, and be reasonably likely to provide a benefit. [Auditors should use the Entity Specific Areas | Public Facility Districts | Promotional Hosting step in TeamMate for testing these expenses.](#)

- **Compensation of Public Officers (County Statute only)** – For PFDs created by counties, board members may receive \$50 per day for attending meetings or conferences, up to \$3,000 per year (RCW 36.100.130). However, there is no provision for board compensation for PFDs created by Cities. It is, therefore, important to know which statute the PFD was created under.
- **Matching Requirement for Sales Tax imposed for Regional Centers** – Sales taxes imposed under RCW 82.14.390 require a 33% match from other public or private sources. RCW 82.14.390(5) describes these matching requirements. If the district is subject to this requirement and the affected sales tax revenue is significant, this should be considered a material compliance requirement for financial statement purposes.

## **FINANCIAL STATEMENTS**

Public facilities districts that own a facility that has charges for services may report as an enterprise fund. However, districts that only collect taxes to remit to others or otherwise do not have charges for services would be required to report as a governmental fund.

### ***Financial Statement Preparation and Review***

PFD management and governing bodies often lack adequate knowledge on financial statement preparation and review as many individuals are from the private or non-profit sector. In addition, these individuals have limited experience with governmental reporting requirements and may not be aware of the resources available to them. Auditors should be aware of who prepares and reviews the financial statements and consider what controls are in place to identify reporting updates and potential errors. Areas of increased risk include reporting requirements, recording transactions, and calculating statement balances.

### ***GAAP Reporting Changes***

All new GASBs are identified and evaluated by the Financial Audit Committee (FAC), as summarized on the [GASB Tracker](#) available on the FAC Sharepoint page. When evaluating implementation of new GASBs for PFDs, auditors should specifically consider:

- **GASB 87** (Leases, original implementation effective FYE 2020, new implementation effective FYE 2022) establishes a single model for lease accounting requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. We do not expect many PFDs to early implement this GASB.

GASB 95, issued May 8, 2020, delayed the implementation date of certain new standards. Entities have the option to decide whether or not to delay implementation. During planning, as part of [Understanding the Entity & Environment](#), auditors should inquire with the entity and confirm the entity's implementation decisions.

### ***Contingent Loan Agreements***

GASB 70 (Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective FYE15) requires governments to disclose, evaluate and possibly report liabilities for nonexchange financial guarantees. When PFDs and their creating cities and counties have entered into contingent loan agreements (CLAs) to guarantee their PFD's obligations, these arrangements are expected to meet GASB 70 criteria for disclosure. Required disclosures by the PFD and guarantor city and county are described in GASB 70 par. 14-17. Disclosure requirements for the original issuer of the obligation and its guarantors are included in the BARS manual under Reporting | Notes to Financial Statements.

### ***Expected Disclosures***

We would expect the district has analyzed its relationship with the creating city or county and any other governments involved with the district's projects for correct accounting and disclosure. We would normally expect these other entities to be considered related parties with at least some disclosure of the nature of these relationships and significant transactions in the notes.



Forgiveness of rents/debts or commitments and the triggering of any guarantees or contingent loan agreements may be significant transactions or subsequent events requiring disclosure.

If the PFD has projects that are separately financed by bonds and they do not report each project as a major fund, the PFD may need to include segment reporting in its notes to the financial statements for these projects.

PFDs should disclose in their notes when their sales tax revenue streams will end. In 2017, the Washington State Legislature passed Engrossed House Bill 1201 that extended the period when sales tax revenues can be collected from 25 years to 40 years.

### ***Sales Tax Year-End Accruals***

Sales tax is usually a significant revenue source for PFDs. Sales taxes are earned at the time the transaction on which the tax is charged takes place. PFDs do not receive sales tax revenue from the State until two months after it is earned; therefore, sales tax revenue receipted by the PFD in January and February were earned in the prior year. The PFD should accrue these revenues as a receivable at year-end. A Digital Audit Connections article is also available, [Tax Receivable: Are you reporting it correctly?](#)

### ***Fund Balance***

Reserve requirements for outstanding revenue bonds should be reported as restricted on the financial statements.

## **SINGLE AUDIT**

As a local government, PFDs are subject to Uniform Guidance, which would apply even if the grant funds were expended by a management company. However, federal grants or loans are not typical sources of funding for PFDs; therefore, most PFDs will not require a single audit.

# APPENDIX 1: PFD Structures

PFD	Project(s)	Project / Debt Responsibility
Asotin County Public Facilities District	Asotin County Family Aquatic Center	PFD owns the Center. County retained debt for bonds issued to finance construction of the center.
Bellingham-Whatcom Public Facilities District	Art & Children's Museum, Mount Baker Theatre, and Streetscapes	City of Bellingham is responsible under a conditional loan agreement (CLA 2016-0268) for the issuance of bonds by the City on the PFD's behalf. Specifically, the 2012 and 2016 refunding bonds.
Benton County Public Facilities District	Three Rivers Convention Center and Coliseum	Kennewick PFD owns the project (see notes below)
Capital Area Regional Public Facilities District	Lacey Regional Athletic Complex	City of Lacey owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues.
	Olympia Hands on Children's Museum	City of Olympia owns the project and has issued general obligation debt expected to be repaid in part by the PFD's pledged sales tax revenues.
Clark County Public Facility District	Vancouver Convention Center and Hotel	The Downtown Redevelopment Authority (DRA) owns the project and has issued debt on it. City of Vancouver is responsible under a CLA for debt service to extent DRA is unable to pay and subject to other limitations.
	Exhibition Hall at Clark County Fairgrounds	The County owns the project.
Cowlitz Public Facilities District	Columbia Theatre (Longview)	City of Longview owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues.
	Cowlitz County Expo Center *	Cowlitz County owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues.
Edmonds Public Facility District	Edmonds Center for the Arts	The District owns and operates the center, but the City of Edmonds issued 2012 GO bonds secured by a pledge of Sales Tax revenue from the PFD. City is also responsible under a CLA for debt service on the PFD's 2008 Sales Tax and Refunding Bonds to extent PFD is unable to pay. Agreement with Snohomish County sets formal funding of tax revenues.
Everett Public Facilities District	Angel of the Winds Arena	In 2019 the City of Everett refinanced to replace the variable 2014 bonds with fixed rate bonds.. The District and the City also entered into an interlocal agreement over the 2007 refinancing package, which requires the City to provide the District \$500,000 per year. Agreement with Snohomish County sets formal funding of tax revenues.
Grays Harbor Public Facilities District	Ocean Shores Convention Center	City of Ocean Shores owns the project. Sales Tax Debt was originally issued by PFD (with a CLA with the City to make up any difference) with proceeds passed to City of Ocean Shores for project construction. City subsequently refunded the PFD's debt.
Greater Tacoma Regional Public Facilities District	Greater Tacoma Convention & Trade Center	City of Tacoma owns the project and has issued debt on it.
Greater Wenatchee Regional Events Center Public Facilities District	Town Toyota Center	PFD owns and operates the project and has issued debt on it which is payable solely from tax and project revenues.
Kennewick Public Facilities District*	Three Rivers Convention Center	PFD owns and operates the Convention Center. City of Kennewick responsible under CLA for debt service to extent PFD is unable to pay. In addition, City pledged set annual payments of up to \$725K per year to support PFD.

<b>PFD</b>	<b>Project(s)</b>	<b>Project / Debt Responsibility</b>
	Toyota Arena (formerly the Coliseum)	City of Kennewick owns the Toyota Arena but has contracted with the PFD to manage it.
Kent Public Facilities District	Kent Events Center (Accesso ShoWare Center)	City of Kent owns the project. PFD issued revenue bonds and refunding debt, which was passed to City for project construction. The City is responsible under the bond agreement for paying debt service with project revenue and under a CLA as a general obligation to extent PFD sales tax and the City's project revenue are insufficient. The PFD has been drawing on the guarantee for debt payments.
Kitsap Public Facilities District	Kitsap Fairgrounds Events Center	Kitsap County owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues.
	North Kitsap Regional Events Center	North Kitsap School District owns the project. No debt outstanding on the project.
	Kitsap Conference Center at Bremerton Harborside	City of Bremerton owns the project and has issued debt on it that is being repaid from sources other than the PFD.
Lewis County Public Facilities District	Lewis County Event Center and Sports Complex	City of Centralia operates the project. PFD issued bonds, backed by a CLA with Lewis County for debt service to extent PFD is unable to pay.
Lynnwood Public Facilities District	Lynnwood Convention Center	City of Lynnwood responsible under CLA for debt service to extent PFD is unable to pay. In addition, City and Snohomish County both pledge set annual payments of Lodging Tax Revenues.
Pasco Public Facilities District	Three Rivers Convention Center	Kennewick PFD owns and operates the Convention Center
Richland Public Facilities District	Hanford Reach Interpretative Center (the Reach)	PFD owns and operates the project. City of Richland responsible under CLA for debt service to extent PFD is unable to pay. In addition, City pledged set annual payments of Lodging tax to support PFD.
Skagit Regional Public Facilities District	McIntyre Hall Performing Arts and Conference Center	Skagit College operates the project. In 2013, the District's 2003 GO bonds were refunded with GO bonds issued by the County. The District then entered into an interlocal agreement with the County where the District is to make debt service payments to the County.
Snohomish County Public Facility District	Provides funding for Angel of the Winds Area, Lynnwood Convention Center, Edmonds Center for the Arts and the Future of Flight museum	PFD allocates funding to the four projects noted, which are owned by other governments.
Spokane Public Facilities District	Spokane Veterans Memorial Arena, Spokane Convention Center and INB Performing Arts Center	During 2003, City of Spokane Valley and Spokane County issued \$19 million to fund the Fair & Expo and Mirabeau Point improvements. The District has an interlocal agreement with the City and the County regarding debt service payments. In 2012, The District and the County entered into an additional interlocal agreement where the County issued bonds and loaned \$15 million of the proceeds to the District.
	Spokane Fair & Expo Center	Spokane County owns the project and has issued general obligation debt on it. Sales tax revenue pledged by PFD is used along with several other financing sources to pay debt service. See above.
	CenterPlace at Mirabeau Point Park	City of Spokane Valley owns the project and has issued debt on it, to be repaid in part from pledged PFD sales taxes. See above.
Tri-Cities Regional Public Facilities District	No projects	No activity

<b>PFD</b>	<b>Project(s)</b>	<b>Project / Debt Responsibility</b>
Vancouver Public Facility District	Vancouver Convention Center and Hotel	The Downtown Redevelopment Authority (DRA) owns the project and has issued debt on it. City of Vancouver is responsible under a CLA for debt service to extent DRA is unable to pay and subject to other limitations. In addition, the PFD has entered into an agreement with the Clark County PFD. This agreement stipulates that the Clark County PFD will pay the county portion of the conference center sales and use taxes to the PFD.
Washington State Convention Center Public Facilities District	Washington State Convention Center	Debt secured solely by PFD revenues; Deficiency loan obligation to the State of Washington
Washington State Major League Baseball Stadium	T-Mobile Park	Bonds issued by Mariners and King County to be paid from sources other than PFD revenues. Formally called Safeco Field until December 2018.
Yakima Regional Public Facilities District	Yakima Convention Center and Capitol Theater	City of Yakima owns the project and has issued general obligation debt on it, to be repaid in part from pledged PFD sale taxes.

\* Note: project ownership was considered in substance as the party with responsibility for revenues and expenditures of project operations; in these cases, there are also leasehold interests that do not appear to be affected by project performance.

## APPENDIX 2: PFD Financial Condition Risk Levels

The information below indicates an initial risk analysis for financial condition from Low to High going forward. In addition to the risk analysis, there is a short narrative as to why the risk analysis was made and the funding sources for each PFD. This analysis should be considered during planning. **The risk level does not, by itself, indicate an audit issue. This information is designed as an alert to a potential situation that will need further analysis.**

Team	Entity Name	MCAG	Risk Level	Basis of Accounting	Funding Source	Notes
Bellingham	Skagit Regional Public Facilities District	2788	Low	Cash	sales and use tax	
Bellingham	Whatcom Public Facilities District	2829	Low	GAAP	charges for services	Component of City of Bellingham
Central King County	Washington State Major League Baseball Stadium Public Facilities District	1156	Low	GAAP	rental revenue from baseball games, admission taxes and parking revenues	Expenses outpace revenues in 2020
Central King County	Washington State Convention Center Public Facilities District	2979	Med	GAAP	sales and use of meeting and exhibition space	Risk increased to medium due to high debt load, deficiency loans, and decreased bond ratings.
Everett	Everett Public Facilities District	2763	Med	GAAP	event revenue, license revenue, and sales tax	Revenues down and debt load is 38%
Everett	Edmonds Public Facility District	2764	Med	GAAP	event revenue and contributions from related foundation	Decline in ending net position with negative net position
Everett	Snohomish County Public Facility District	2826	Low	GAAP	sales and use tax	Pass-thru entity
LGS	Benton County Public Facilities District	2904	Low	Cash	sales and use tax	
LGS	Tri-Cities Regional Public Facilities District	2997	Low	Cash	grants and entitlements	Minimal or no activity
North King County	Lynnwood Public Facilities District	2765	Med	GAAP	sales and use tax	Expenses continually outpace revenues, high debt load 146%
Olympia	Grays Harbor Public Facilities District	2825	Low	Cash	sales and use tax	CLA with City of Ocean of Shores
Olympia	Capital Area Regional Public Facilities District	2830	Med	GAAP	sales and use tax	

Team	Entity Name	MCAG	Risk Level	Basis of Accounting	Funding Source	Notes
Olympia	Lewis County Public Facilities District	2994	Low	Cash	sales and use tax	High debt, but evaluated by team during last audit determined it was okay.
Port Orchard	Kitsap Public Facilities District	2770	Low	Cash	sales and use tax	High debt, but evaluated by team during last audit determined it was okay.
Pullman	Asotin County Public Facilities District	3102	Low	Cash	sales and use tax, intergovernmental revenues, charges for goods and services, Aquatic Center	
South King County	City of Kent Special Events Center Public Facilities District	3003	High	GAAP	sales and use tax, event revenues	Expenses continually outpace revenues, high debt load 61%
Spokane	Spokane Public Facilities District	0779	Low	GAAP	sales and use tax, changes for goods and services, rent, parking, concessions, other taxes	
Tacoma	Greater Tacoma Regional Public Facilities District	2787	Low	GAAP	sales and use tax	
Tri-Cities	Kennewick Public Facilities District	2783	Med	GAAP	sales and use tax, intergovernmental revenues, and charges for services	
Tri-Cities	Richland Public Facilities District	2833	Med	GAAP	sales and use tax	
Tri-Cities	Pasco Public Facilities District	2910	Low	GAAP	sales and use tax	
Vancouver	Vancouver Public Facility District	2792	Low	GAAP	sales and use tax	
Vancouver	Clark County Public Facility District	2800	Low	Cash	sales and use tax	Days cash on hand 36 but increasing
Vancouver	Cowlitz Public Facilities District	2863	Low	GAAP	sales and use tax	
Wenatchee	Greater Wenatchee Regional Events Center Public Facilities District	2930	Med	GAAP	sales and use tax, concession	



Team	Entity Name	MCAG	Risk Level	Basis of Accounting	Funding Source	Notes
Yakima	Yakima Regional Public Facilities District	3009	Med	Cash	sales and use tax	Now over \$2million and may require its own fs audit; blended component of City of Yakima