

**Washington State Auditor's Office**  
**Report on Financial Statements Audit**

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**Snohomish County Public Facility  
District**

Audit Period  
**July 1, 2001 through December 31, 2003**

**Report No. 67708**

Issue Date  
**January 7, 2005**



Washington \_\_\_\_\_  
***State Auditor***  
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January 7, 2005

Board of Directors  
Snohomish County Public Facility District  
Everett, Washington

***Report on Financial Statements***

Please find attached our report on Snohomish County Public Facility District's financial statements.

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

In addition to this work, we look at other areas of our audit clients' operations for compliance with state laws and regulations. The results of that review will be included in our regular audit report, which will be issued separately.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

Table of Contents

**Snohomish County Public Facility District  
July 1, 2001 through December 31, 2003**

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in  
Accordance with Government Auditing Standards ..... 1

Independent Auditor's Report on Financial Statements ..... 3

Basic Financial Statements..... 5

# Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

## **Snohomish County Public Facility District July 1, 2001 through December 31, 2003**

Board of Directors  
Snohomish County Public Facility District  
Everett, Washington

We have audited the basic financial statements of Snohomish County Public Facility District, Snohomish County, Washington, as of and for the years ended December 31, 2003, 2002, and 2001, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States.

During the year ended December 31, 2003, the District has implemented Governmental Accounting Standards Board *Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus, and Statement 38, Certain Financial Statement Note Disclosures.*

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards.*

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Board of Directors. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 26, 2004

# Independent Auditor's Report on Financial Statements

## **Snohomish County Public Facility District July 1, 2001 through December 31, 2003**

Board of Directors  
Snohomish County Public Facility District  
Everett, Washington

We have audited the accompanying financial statements of the governmental activities of Snohomish County Public Facility District, Snohomish County, Washington, as of and for the years ended December 31, 2003, 2002 and 2001, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Snohomish County Public Facility District, as of December 31, 2003, 2002 and 2001, and the respective changes in financial position and cash flows, where applicable, thereof, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2003, the District has implemented Governmental Accounting Standards Board *Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information on pages 6 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

August 26, 2004

# Basic Financial Statements

## **Snohomish County Public Facility District July 1, 2001 through December 31, 2003**

### ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2003, 2002 and 2001

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – Government-Wide – 2003, 2002 and 2001

Statement of Activities – Government-Wide – 2003, 2002 and 2001

Balance Sheet - Governmental Funds – 2003, 2002 and 2001

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds –  
2003, 2002 and 2001

Notes to the Financial Statements – 2003, 2002 and 2001



Snohomish County Public Facilities District  
Management's Discussion and Analysis  
As Of And For the Years Ended  
December 31, 2003, 2002 and 2001

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The Management Discussion and Analysis (MD&A) provides an objective and easily readable analysis of the Snohomish County Public Facilities District financial activities (from herein referred to as the PFD). The MD&A provides summary financial information about the PFD and should be read in conjunction with the PFD financial statements and the notes to the financial statements which follow. Our discussion and analysis of the PFD financial performance provides an overview of the PFD financial activities for the years ended December 31, 2003, 2002 and 2001.

## **Discussion of the Basic Financial Statements**

The PFD basic financial statements are comprised of two sets of financial statements and the notes to the financial statements. The statements presented are: 1) the government-wide statements and 2) the fund financial statements for each of the years presented. The government-wide statements present an overall picture of the PFD's financial position and results of operations. They present a long-term view of the PFD finances. The fund financial statements provide information about how the funds' services were financed in the short term as well as what remains for future spending. The fund statements also report the PFD operations in more detail than the government-wide statements. The notes to the financial statements provide additional information concerning the PFD that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government Wide-Financial Statements**

Basis of accounting refers to the time when revenues and expenses are recognized in the accounts and reported in the financial statements. The **Government-Wide Statement of Net Assets** and the **Government-Wide Statement of Activities** present financial information on a full accrual basis. Revenues are recognized only when earned and expenses are recognized when expenditures are incurred. The Statement of Activities presents information on all revenues and expenditures of the PFD and the change in net assets. Expenses are reported first, followed by related revenues, which is a required reporting format that allows readers to discern the net cost for each year. Most funding is provided via tax revenues; therefore, the PFD's revenues and expenses are reported as governmental activities. Net assets at year-end are restricted for administrative operating costs as well as non-operating payments to the PFD projects.

Snohomish County Public Facilities District  
Management's Discussion and Analysis  
As Of And For the Years Ended  
December 31, 2003, 2002 and 2001

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**Fund Financial Statements**

The fund financial statements presented are the ***Governmental Fund Balance Sheet*** and the ***Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance***. The fund financial statements are prepared using the modified accrual accounting basis which has a current financial resources measurement focus. Therefore the fund focus is: (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances at year-end that are available for spending. For purposes of this report, the modified accrual basis differs from full accrual in the following ways:

1. Revenues are recognized only when they become both measurable and available to finance expenditures of the current period. Revenues that are measurable but not available are recorded as receivable and offset by deferred revenues. Interest and investment earnings are recorded when earned only if recorded within 60 days.
2. Purchases of capital assets are considered expenditures.
3. Debt proceeds received in the current year is considered a current resource.

**Reconciliation of the Fund Financial Statements to the Entity Wide Statements**

Governmental accounting standards under GASB 34 require a reconciliation of the fund statements (modified accrual) to the entity-wide statements (full accrual). Reconciling items are due to applying the modified accrual or the full accrual bases of accounting. Since all PFD revenue was received by December 31, 2003, no accrual was deemed necessary. No accrual for depreciation was required since the all capital assets and associated depreciation are recorded by the projects and there are no long term debt obligations incurred. Therefore, no Reconciling Statements are required.

**Condensed Comparative Financial Data**

The **Government-Wide Statement of Net Assets** presents the financial position of the PFD. Asset and liability information is presented in that statement with the difference reported as net assets. All PFD net assets are reported as restricted. The following table summarizes the changes in net assets between the years ended December 31, 2003, 2002 and 2001.

Snohomish County Public Facilities District  
Management's Discussion and Analysis  
As Of And For the Years Ended  
December 31, 2003, 2002 and 2001

**Net Assets**

	2003	\$ Change Increase (decrease)	2002	\$ Change Increase (decrease)	2001
<b>Total Assets</b>	\$ 508,846	\$ (284,552)	\$ 793,398	\$ 580,083	\$ 213,315
<b>Total Liabilities</b>	\$ 508,846	\$ 507,433	\$ 1,413	\$ (21,107)	\$ 22,520
<b>Total Net Assets</b>	\$ 0	\$ (791,985)	\$ 791,985	\$ 601,191	\$ 190,795

**Change in Net Assets**

While net assets provide information about the year-end financial position of the PFD, the difference between total revenues and total expenditures, as represented in the following table of Changes in Net Assets, reflects the annual changes in position.

	2003		2002		2001
		Increase (decrease)		Increase (decrease)	
<b>Total Revenue</b>	\$ 1,341,160	\$ 44,339	\$ 1,296,821	\$ 1,083,506	\$ 213,315
<b>Total Expenses</b>	\$ (2,133,145)	\$ (1,437,514)	\$ (695,631)	\$ (673,111)	\$ (22,520)
<b>Change in Net Assets</b>	\$ (791,985)	\$ (1,393,175)	\$ 601,190	\$ 410,395	\$ 190,795
<b>Net Assets Beginning</b>	\$ 791,985	\$ 601,190	\$ 190,795	\$ 190,795	\$ 0
<b>Net Assets Ending</b>	\$ 0	\$ (791,985)	\$ 791,985	\$ 601,190	\$ 190,795

Snohomish County Public Facilities District  
Management's Discussion and Analysis  
As Of And For the Years Ended  
December 31, 2003, 2002 and 2001

## Overall Analysis of Change in Financial Position

The following table provides detail fund information about the District's change in financial position as of December 31, 2003, 2002 and 2001.

### Results of Operations and Change in Financial Position for the Years Ended December 31, 2003, 2002 and 2001

	2003	\$ Change Increase (decrease)	2002	\$ Change Increase (decrease)	2001
<b>Revenues:</b>					
Beginning Fund Balance	\$ 508,846	\$ 318,055	\$ 190,791	\$ 190,791	\$ 0
<b>Revenues:</b>					
<b>Sales Tax Rebate</b>	\$ 1,333,635	\$ 40,525	\$ 1,293,110	\$ 1,079,795	\$ 213,315
<b>Interest</b>	7,525	3,814	3,711	3,711	0
<b>Total Revenues</b>	\$ 1,341,160	\$ 44,339	\$ 1,296,821	\$ 1,083,506	\$ 213,315
<b>Expenditures:</b>					
<b>Administration</b>	\$ 52,465	(12,735)	\$ 65,201	42,680	\$ 22,520
<b>Everett PFD</b>	529,640	(44,138)	573,778	573,778	0
<b>County Projects - Garage</b>	59,942	3,290	56,652	56,652	0
<b>Lynnwood Center</b>	711,272	711,272	0	0	0
<b>Edmonds Center</b>	273,226	273,226	0	0	0
<b>NFIC</b>	506,600	506,600	0	0	0
<b>Total Expenditures</b>	\$ 2,133,145	\$ 1,437,515	\$ 695,631	\$ 673,110	\$ 22,520
<b>Change in Fund Balance</b>	\$ (791,985)	\$ (1,393,175)	\$ 601,190	\$ 410,396	\$ 190,795
<b>Ending Fund Balance</b>	\$ 0	\$ (791,985)	\$ 791,985	\$ 601,190	\$ 190,795

The change in fund balance is one way to measure the financial position of the PFD. Increases in fund balance may indicate an improved financial position while a decrease in fund balance may point to either a deteriorating financial position or decrease of assets.

Between fiscal years ended December 31, 2001 and 2002, fund balance increased in the amount of \$601,190. The increase was due to the collection of tax rebate receipts held in trust pending project viability approval. Between fiscal years ended December 31, 2002 and 2003, the fund balance decreased \$(791,985). The decrease was due to project viability approval and the related disbursement of funds.

Snohomish County Public Facilities District  
Management's Discussion and Analysis  
As Of And For the Years Ended  
December 31, 2003, 2002 and 2001

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### **Capital Asset and Long-Term Debt Activity**

There are no capital assets recorded in the PFD Statement of Net Assets. All capital acquisitions are purchased and recorded in the financial statements of the projects. Concurrently, the PFD has no bonded or long term debt commitments.

### **Contacting the Public Facilities District**

If you have questions about this report or need additional financial information, contact the Finance Department at the following address: Snohomish County, 3000 Rockefeller, M/S, 610, Everett, WA 98201 or by calling 425-388-3475.

Snohomish County Public Facilities District  
Government-Wide Statement of Net Assets  
As of December 31, 2003, 2002 and 2001

	COMPARATIVE STATEMENTS		
	2003	2002	2001
<b>ASSETS</b>			
<b>Current Assets</b>			
Restricted Cash and Investments	\$ 508,846	\$ 793,398	\$ 213,315
<b>Total Current Assets</b>	<b>\$ 508,846</b>	<b>\$ 793,398</b>	<b>\$ 213,315</b>
<b>Total Assets</b>	<b>\$ 508,846</b>	<b>\$ 793,398</b>	<b>\$ 213,315</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,246	\$ 1,413	\$ 22,520
Payable to NFIC	\$ 506,600	\$ -	-
<b>Total Current Liabilities</b>	<b>\$ 508,846</b>	<b>\$ 1,413</b>	<b>\$ 22,520</b>
<b>Total Liabilities</b>	<b>\$ 508,846</b>	<b>\$ 1,413</b>	<b>\$ 22,520</b>
<b>NET ASSETS</b>			
Restricted Net Assets	\$ -	\$ 791,985	\$ 190,795
<b>Total Net Assets</b>	<b>\$ -</b>	<b>\$ 791,985</b>	<b>\$ 190,795</b>

The accompanying notes are an integral part of the financial statements.

Snohomish County Public  
Government-Wide Statement of Activities  
For the Years Ended December 31, 2003, 2002 and 2001

COMPARATIVE STATEMENTS	Net Revenue (Expense) and Changes in Net Assets	
2003	Expenses	Total
<b>Governmental Activities</b>		
Administration	\$ (52,465)	\$ (52,465)
Payments to Projects	(2,080,680)	(2,080,680)
<b>Total Expenses</b>	<b>\$ (2,133,145)</b>	<b>\$ (2,133,145)</b>
<b>General Revenue</b>		
Sales and Use Tax Rebate		\$ 1,333,635
Interest and Investment Earnings		7,525
<b>Total General Revenue</b>		<b>\$ 1,341,160</b>
<b>Change in Net Assets</b>		<b>\$ (791,985)</b>
<b>Beginning Net Assets</b>		<b>\$ 791,985</b>
<b>Ending Net Assets</b>		<b>\$ -</b>
<b>Net Revenue (Expense) and Changes in Net Assets</b>		
2002	Expenses	Total
<b>Governmental Activities</b>		
Administration	\$ (65,201)	\$ (65,201)
Payments to Projects	(630,430)	(630,430)
<b>Total Expenses</b>	<b>\$ (695,631)</b>	<b>\$ (695,631)</b>
<b>General Revenue</b>		
Sales and Use Tax Rebate		\$ 1,293,110
Interest and Investment Earnings		3,711
<b>Total General Revenue</b>		<b>\$ 1,296,821</b>
<b>Change in Net Assets</b>		<b>\$ 601,190</b>
<b>Beginning Net Assets</b>		<b>\$ 190,795</b>
<b>Ending Net Assets</b>		<b>\$ 791,985</b>
<b>Net Revenue (Expense) and Changes in Net Assets</b>		
2001	Expenses	Total
<b>Governmental Activities</b>		
Administration	\$ (22,520)	\$ (22,520)
<b>Total Expenses</b>	<b>\$ (22,520)</b>	<b>\$ (22,520)</b>
<b>General Revenue</b>		
Sales and Use Tax Rebate		\$ 213,315
Interest and Investment Earnings		-
<b>Total General Revenue</b>		<b>\$ 213,315</b>
<b>Change in Net Assets</b>		<b>\$ 190,795</b>
<b>Beginning Net Assets</b>		<b>\$ -</b>
<b>Ending Net Assets</b>		<b>\$ 190,795</b>

The accompanying notes are an integral part of the financial statements.

**Snohomish County Public Facilities District**  
**Governmental Fund Balance Sheet**  
**As of December 31, 2003, 2002 and 2001**

GENERAL FUND COMPARATIVE STATEMENTS			
	2003	2002	2001
<b>ASSETS</b>			
<b>Current Assets</b>			
Restricted Cash and Investments	\$ 508,846	\$ 793,398	\$ 213,315
<b>Total Current Assets</b>	<b>\$ 508,846</b>	<b>\$ 793,398</b>	<b>\$ 213,315</b>
<b>Total Assets</b>	<b>\$ 508,846</b>	<b>\$ 793,398</b>	<b>\$ 213,315</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,246	\$ 1,413	\$ 22,520
Payable to NFIC Project	\$ 506,600		
<b>Total Current Liabilities</b>	<b>\$ 508,846</b>	<b>\$ 1,413</b>	<b>\$ 22,520</b>
<b>Total Liabilities</b>	<b>\$ 508,846</b>	<b>\$ 1,413</b>	<b>\$ 22,520</b>
<b>FUND BALANCES</b>			
Reserved Fund Balance	\$ -	\$ 791,985	\$ 190,795
<b>Total Fund Balance</b>	<b>\$ -</b>	<b>\$ 791,985</b>	<b>\$ 190,795</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 508,846</b>	<b>\$ 793,398</b>	<b>\$ 213,315</b>

The accompanying notes are an integral part of the financial statements.



Snohomish County Public Facilities District  
 Governmental Fund Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Years Ended December 31, 2003, 2002 and 2001

<b>GENERAL FUND COMPARATIVE STATEMENTS</b>				
	<b>2003</b>		<b>2002</b>	<b>2001</b>
<b>Detail Revenues</b>				
Sales and Use Tax Rebate	\$ 1,333,635	\$	1,293,110	\$ 213,315
Interest and Investment Earnings	7,525		3,711	-
<b>Total Detail Revenues</b>	<b>\$ 1,341,160</b>	<b>\$</b>	<b>1,296,821</b>	<b>\$ 213,315</b>
<b>Detail Expenditures</b>				
Administration	\$ 52,465	\$	65,201	\$ 22,520
Everett PFD	529,640		573,778	-
County Projects-Garage	59,942		56,652	-
Lynnwood	711,272		-	-
Edmonds	273,226		-	-
NFIC	506,600		-	-
<b>Total Detail Expenditures</b>	<b>\$ 2,133,145</b>	<b>\$</b>	<b>695,631</b>	<b>\$ 22,520</b>
<b>Net Change in Fund Equity</b>	<b>\$ (791,985)</b>	<b>\$</b>	<b>601,190</b>	<b>\$ 190,795</b>
<b>Fund Balance Beginning</b>	<b>\$ 791,985</b>	<b>\$</b>	<b>190,791</b>	<b>\$ -</b>
<b>Fund Balance Ending</b>	<b>\$ -</b>	<b>\$</b>	<b>791,981</b>	<b>\$ 190,795</b>

The accompanying notes are an integral part of the financial statements.

**Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001**

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**General**

Snohomish County Council passed Ordinance 01-41 on June 28, 2001, creating a Public Facilities District pursuant to RCW 36.100, known as the Snohomish County Public Facilities District (PFD). Under the laws of the State of Washington, once created, the PFD was authorized to acquire, construct, own, remodel, maintain, equip, re-equip, repair and finance and operate one or more regional centers within the meaning of such terms contained in RCW 82.14.390. Regional center means a convention, conference, or special events center or any combination of facilities and related parking facilities, serving a regional population, constructed, improved or rehabilitated, after the effective date of Chapter 165, Laws of 1999, at a cost of at least ten million dollars, including debt service and subject to certain restrictions. A public facilities district may impose a .033 percent sales and use tax that is deducted from the amount of tax otherwise required to be collected and paid over to the Washington State Department of Revenue under chapter 82.08 or 82.12 of the RCW, and the Board of Directors determines it appropriate to establish the sales and use tax at this time.

The Snohomish County Public Facilities District Board has, as of the effective date, subject to meeting specified conditions and/or working out acceptable inter-local agreements, allocated funding to four projects: the City of Everett Public Facilities District's Arena and Parking Garage, the South Snohomish County Public Facilities District's Regional Convention Center in Lynnwood, the City of Edmond's Public Facilities District's remodel of the Puget Sound Christian College for use as a regional performing arts and convention center, and the National Flight Interpretative Center project in conjunction with the Snohomish County Paine Field Airport. The Boeing tour operation will be co-located at the Interpretive Center's site.

**Note 1 - Significant Accounting Policies**

The Snohomish County Public Facilities District's (from herein referred to as the PFD) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In June 1999, GASB approved Statement 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Significant changes in the statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the PFD overall position and results of operation.

Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001

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- Government-wide financial statements prepared using full accrual accounting for all PFD activities.
- A change in the fund financial statements focusing on the major fund.

The PFD implemented the general provisions of the GASB Statement 34 for fiscal years 2003, 2002 and 2001. In June 2001, GASB released two new authoritative statements. First, Statement 37, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus", amends Statements 24 & 34. Second, Statement 38, "Certain Financial Statement Note Disclosures", modifies existing note disclosure requirements.

***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Snohomish County Public Facilities District. The PFD was formed as a component unit of Snohomish County.

The PFD reports on both the economic resources and current financial resources measurement focuses. The Statement of Nets Assets and the Statement of Activities reports on the accrual basis. Revenues are recorded when earned and expenses are recorded when a measurable liability has been incurred. The fund financial statements are reported on the modified accrual basis.

***Basis of Accounting***

Government-Wide Financial Statements

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The *Statement of Net Assets* and the *Statement of Activities* present financial information on a full accrual basis. Revenues are recognized only when earned and expenses are recognized when expenses are incurred. The Statement of Activities at year-end includes administrative operating expenses as well as nonoperating payments to the PFD projects.

Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001

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Fund Financial Statements

The fund financial statements presented are the *Fund Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*. The fund financial statements are prepared using the modified accrual accounting basis with a current financial resources measurement focus. For purposes of this report, the modified accrual basis differs from full accrual in the following ways:

1. Revenues are recognized only when they become both measurable and available to finance expenditures of the current period. Revenues that are measurable but not available, are recorded as receivable and offset by deferred revenues. Interest and investment earnings are recorded when earned only if recorded within 60 days.
2. Purchases of capital assets are considered expenditures.
3. Debt proceeds received in the current year is considered a current resource.

The fund financial statements are presented as one major fund. A fund is considered major if it is the primary operating fund of the entity. GASB 37 references major fund reporting requirements to apply when governmental fund revenues or expenses exceed both the 10 and 5 percent criteria.

RECONCILIATION OF THE FUND FINANCIAL STATEMENTS TO THE ENTITY-WIDE STATEMENTS

Governmental accounting standards under GASB 34 require a reconciliation of the fund statements (modified accrual) to the entity-wide statements (full accrual). Reconciling items occurring are due to the change in basis of accounting. The PFD had no reconciling items for the 2003, 2002 and 2001 years presented; therefore no reconciling statements are presented.

***Duties of Snohomish County Treasurer***

As required by statute, Snohomish County serves as the District's Treasurer. Thereby, the Snohomish County Treasurer issues PFD warrants, and prepares cash receipt and disbursement reports of the PFD financial activity.

Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001

**Cash and Investments**

The Snohomish County Treasurer administers cash and investments of the PFD pursuant to the requirements of Washington State Law in Chapter 39.58 RCW. Allowable investment vehicles include securities issued by the federal government, certificates of deposit and municipal bonds. The PFD funds are invested with the Washington State Treasurer's Local Government Investment Pool. This pool is FDIC-insured and also subject to the collateralization requirements of the Public Deposit Protection Commission.

The County's bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) to a maximum of \$100,000 per bank. Deposited funds are also subject to additional protection by the Washington State Public Deposit Protection Commission. The Commission requires banking institutions qualified as public depositories to pledge collateral in the amount of at least 10% of their total public deposits. Losses of public funds at a single banking institution may be assessed proportionally against the collateral of all qualified public depositories.

Governmental Accounting Standards Board (GASB) Statement No. 3 requires disclosure of investment balances categorized by level of credit risk. Category 1 investments are those that are insured, registered or held by the County or by its agent in the name of the County. Category 2 investments are those that are uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. Category 3 investments are uninsured and uncollateralized; or collateralized with securities not in the County's name; or collateralized with no written or approved collateral agreement. All County investments are Category 1 investments. Investments are reported at cost, which is materially equivalent to fair value. As of December 31, 2003 the PFD held no related-party investments.

<b>PFD Cash and Investments</b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
<b>As of December 31, 2003, 2002 and 2001</b>			
Cash – Bank of America	\$ 120,846	\$ 283,398	\$ 0
Investments –			
Local Government Investment Pool	<u>388,000</u>	<u>510,000</u>	<u>213,315</u>
<b>Total Cash and Investments held by Snohomish County Treasurer</b>	<b><u>\$ 508,846</u></b>	<b><u>\$ 793,398</u></b>	<b><u>\$ 213,315</u></b>

Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001

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***Receivables***

The PFD collects sales and use tax rebates from the State of Washington Department of Revenue. Any amount representing receivables represents resources not yet received for the current year. All rebated amounts have been collected for years ended 2003, 2002 and 2001.

***Liabilities***

The PFD shows accrued liabilities in the amount of \$508,846, \$1,413 and \$22,520 at the end of fiscal years 2003, 2002 and 2001, respectively. These liabilities represent amounts payable for administrative operating expenses and payables to projects at year end.

***Capital Asset and Long-Term Debt Activity***

There were no capital asset purchases reported in the PFD statement of net assets. Under RCW 36.100.010 all tax rebate monies collected by the District are held in trust and disbursed only to viable projects as authorized by the Board of Directors. Capital assets are reported in the financial statements of the projects. Concurrently, the PFD has no bonded or long or short term debt commitments.

***Net Assets/Fund Equity Classifications***

The Statement of Net Assets presents equity as net assets. All net assets are restricted assets for each year presented 2003, 2002 and 2001. Restricted net assets consist of net assets with constraints placed on use either by: (1) external groups such as creditors, grantors, and contributors; or (2) legal restrictions resulting from constitutional provisions or enabling legislation. All rebated sales and use tax is governed by constitutional provisions of State Law and County Code as stated above. Unrestricted net assets include all other net assets that do not meet the definition of "restricted", or "invested in capital assets net of related debt."

Effective January 1, 2002, the County implemented GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. That statement defines non-exchange transactions as transactions involving financial or capital resources when no goods or services are received or given. The statement addresses the timing of recognition of revenue resulting from these transactions. In accordance with the statement, the PFD has recognized non-exchange transaction sales and use tax rebates as non-operating revenue.

Snohomish County Public Facilities District  
Notes to the Financial Statements  
For the Years Ended  
December 31, 2003, 2002 and 2001

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**Note 2 – Component Unit**

The Snohomish County Public Facilities District is a component unit of Snohomish County. The PFD is a legally separate, tax exempt organization. Pursuant to RCW 36.100, the PFD was created as a municipal corporation and is an independent taxing authority codified in Chapter 2.19 of the Snohomish County Code. The District was created for the sole purpose of pursuing joint ownership, financing or operational relationships, with any other public facility district or nonprofit entity, with Board approval, within the County.

In addition, the entity meets these tests which establish the PFD's accountability to the County:

1. The County Council shall select and appoint all board members.
2. The Council may, by motion, remove board member(s) from office.
3. In addition, the PFD may not enter into an inter-local agreement to expend revenues in excess of \$50,000 unless the County is party to the agreement.
4. Lastly, the PFD must seek County Council's approval to impose tax other than that set forth by the County PFD Act or pursuant to RCW 98.14.390.

**Note 3 – Risk Management**

The PFD maintains commercial insurance coverage for public officials and employees. The insurance pays on behalf of the PFD any loss for any civil claims made for wrongful acts against them. The policy allows payment of \$3,000,000 per wrongful act to a total aggregate loss of \$3,000,000. The policy covers all persons who are, or shall be, lawfully elected, or appointed officials, members, or employees of the PFD responsible to the PFD or its Board.

**Note 4 – Related Parties**

The PFD entered into an inter-local agreement with Snohomish County to provide administrative, financial and information system services. The PFD compensates Snohomish County \$2,000 per month or a pro-rata portion thereof. Each year the PFD board approves a new inter-local agreement with Snohomish County.