

AM-

Edmonds City Council Meeting

Date:

Submitted By: Jana Spellman
Submitted For: Councilmember Buckshnis
Department: City Council

Time:
Type:

Review Committee:

Committee Action: Action

Information

Subject Title

City of Edmonds and clarification with the Interlocal Agreement with the Edmonds Public Facilities District (EFPD)

Recommendation from Mayor and Staff

Previous Council Action

Narrative

The City of Edmonds recently had its financial statements published on the Washington's State Auditor's Office and the Administration upon recommendation of the Auditors removed a \$4,965,000 receivable from the City's balance sheet as a prior period adjustment with the offsetting prior period adjustment being the removal of a \$4,965,000 payable from the component units known as the Edmonds Public Facilities District (PFD).

For 11 years, the treatment of this long-term payable and receivable was as follows: on the City's the balance sheet, there had a receivable (due from) the component unit (the PFD) and on their financial statements there was a payable of like amount (due to) representing a pledged sales tax revenue stream. This pledged revenue stream is outlined in an Interlocal Agreement (ILA) City of Edmonds – South County Public Facilities District – Edmonds Public Facilities District (or PFD) (see attached).

This Generally Accepted Accounting Principle (GAAP) of a receivable/payable (or "pledged revenue") transaction has been through eleven audits. For some reason this year, the Auditors quoted a Governmental Accounting Standards Board (GASB) pronouncement #48 (para 77,78, 79). GASB pronouncement #48 specifically paragraphs 77, 78, and 79 which states the "*debt-issuing component units*" record tax revenues when they are *measureable and recognizable at the end of each year*. The PFD did not issue the bonds and therefore are not a "debt-issuing component unit". The Auditors also provided examples of other City's using the year-to-year recognition. Councilmember Buckshnis reviewed those Cities and their component units and it appeared that those City's component units were "*debt issuing component units*".

Certain Council Members disagreed with this recommendation and subsequent clarification occurred with the technical advisors at GASB. These advisors agreed with Council Members in that the ILA is an obligation and GASB 48 did not apply as the PFD was not the "debt-issuing component unit.

Now, the Administration has agreed that both prior period adjustments should be reversed and the financial statements restated. The Auditors have asked for clarification of the ILA and the pledged payment repayment stream so as to allow both entities to restate their financials.

It is recommended that Council approve this letter agreement so that the financials can be restated and the Auditors have something for their file to indicate why the City did not agree to their current interpretation of GASB 48 (para 77,78,79)

Fiscal Impact

Attachments

Draft letter agreement between the City and the PFD
EFPD County Inter-local Agreement

Form Routing/Status