



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Everett Public Facilities District

For the period January 1, 2022 through December 31, 2022

Published July 6, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

July 6, 2023

Board of Directors
Everett Public Facilities District
Everett, Washington

Report on Financial Statements

Please find attached our report on the Everett Public Facilities District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Everett Public Facilities District January 1, 2022 through December 31, 2022

Board of Directors
Everett Public Facilities District
Everett, 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 Everett Public Facilities District, a component unit of the City of Everett, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

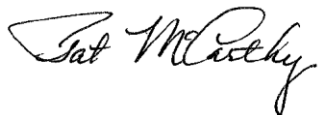
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District'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 District'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 District'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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Everett Public Facilities District January 1, 2022 through December 31, 2022

Board of Directors
Everett Public Facilities District
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Everett Public Facilities District, a component unit of the City of Everett, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District'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 Everett Public Facilities District, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 District 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 opinion.

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 District'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 opinion. 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 District'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 District'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 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 June 29, 2023 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

FINANCIAL SECTION

Everett Public Facilities District January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Revenues, Expenses and Changes in Net Position – 2022

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

Everett Public Facilities District
Management's Discussion and Analysis

Our discussion and analysis of the Everett Public Facilities District (EPFD) financial performance provides an overview of the EPFD's financial activities for the fiscal year ended December 31, 2022, with comparisons to 2021.

Financial Highlights

The EPFD was created by statute in 2001 to oversee the construction and operation of what is now known as the Everett Events Center in Everett, Washington. The Everett Events Center (EEC) was completed in September 2003, and operations commenced with an inaugural event on October 4, 2003. In 2017, a new naming rights sponsorship agreement was executed with the Stillaguamish Tribe of Indians and the arena is now known as Angel Of The Winds Arena. The statements are presented for the 12 months ended December 31, 2022.

The EPFD is governed by a five-member Board of Directors appointed by the Everett City Council. The Directors serving in 2022 were:

Mike Dutton, President
Michael Swanson, Vice-President
Teresa Johnson, Secretary
Scott Murphy, Treasurer
Julio Cortes

Introduction to the Financial Statements

The operations of the EPFD are grouped into one business type fund for financial reporting purposes.

Using this Annual Report

This annual report consists of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and accompanying Notes to the Financial Statements that, collectively, provide information about the activities and finances of the EPFD as a whole and about its activities in a way that helps communicate the financial condition of the EPFD.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's earned revenues and incurred expenses are taken into account regardless of when cash is received or paid. These two statements report the EPFD's net position and changes in net position. The EPFD's net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. It is one way to measure the EPFD's financial position. Over time, increases or decreases in the EPFD's net position are one indicator of whether its financial condition is improving or deteriorating.

The Statement of Cash Flows reflects the EPFD's sources and uses of cash. This statement includes a reconciliation of Operating Income from the accrual basis statements to the Net Cash Provided by Operating Activities. Non-financial factors should also be considered, such as changes in the EPFD's funding structures and the condition of the EPFD's operating assets, to assess the overall health of the EPFD.

Condensed Statement of Net Position as of December 31:

	2022	2021	Year to Year Variances
Assets:			
Capital Assets	34,181,553	33,869,074	312,479
Restricted Assets	1,398,776	1,398,776	0
Other Assets	7,273,468	6,031,796	1,241,672
Total Assets	42,853,798	41,299,646	1,554,151
Deferred outflow of resources - refunding	43,365	54,437	(11,072)
Combined Assets and Deferred Outflows of Resources	42,897,162	41,354,083	1,543,079
Liabilities and Net Position:			
Liabilities:			
Current Liabilities	3,038,876	3,307,891	(269,015)
Long-term Liabilities	40,973,026	40,962,989	10,037
Total Liabilities	44,011,903	44,270,880	(258,978)
Deferred Inflows of resources	2,447,949	1,045,162	1,402,787
Net Position:			
Net Investment in Capital Assets	(7,393,108)	(7,664,477)	271,369
Restricted	1,398,776	1,398,776	0
Unrestricted	2,431,644	2,303,742	127,902
Total Net Position	(3,562,688)	(3,961,959)	399,271

Current Assets - Unrestricted

Current Assets - Unrestricted are those assets which are cash or are expected to be converted to cash within one year. These assets decreased \$277,245 from December 31, 2021 to December 31, 2022, due to less ticket funds in the bank accounts. These funds are maintained to provide liquidity for day-to-day operations, debt service requirements, and capital replacements.

Current Assets – Restricted

Restricted assets are held in the Local Government Investment Pool (LGIP) with the State of Washington and represent the required debt service reserves in support of the Limited Tax General Obligation (LTGO) Refunding Bonds 2018A and 2018B.

Capital Assets

Capital Assets are those assets that are not expected to be converted to cash within one year's period of time. These assets are presented net of accumulated depreciation and increased \$1,681,743 in 2022. The main increase stems from the acknowledgment of future lease receivables in the amount of \$1,518,917. In 2022, depreciation expense totaled \$1,536,433 which was offset with capital additions in the amount of \$1,785,163 consisting of payments towards a LED Ribbon, an Ice Plant replacement and the Ice Rink Wall which are being finalized in 2023. Further, we paid for a Kick Plate replacement, installation of a Water Heater, a new Security Camera system, Ice Rink Skates and a Video Equipment Upgrade. We retired a number of assets that are no longer in service.

Details regarding Capital Assets may be found in Notes 1-E-3 and 5 to the financial statements.

Current Liabilities

Current liabilities, comprised primarily of current portion of long-term debt, trade payables and event revenues collected in advance, decreased \$269,015 in 2022 mainly due to lower event ticket revenues held at the end of 2022 and lower event related liabilities.

Long-term Liabilities

Non-current liabilities as of December 31, 2022 represent the long-term debt outstanding on financing completed in November 2018 and November 2019. Details of long-term debt are provided in Note 4 to the financial statements and under Debt Administration below.

In 2018, the EPFD refinanced its outstanding 2007 Limited Sales Tax Bonds which had a remaining balance of \$17,695,000 using a combination of Tax Exempt and Taxable Bonds.

In 2019, the City of Everett refinanced its outstanding 2014 LTGO Bonds, which were passed through an interlocal agreement to the EPFD. Based on the financing schedule provided by the City (which will replace the prior financing schedule upon the parties' execution of a conforming amendment to the interlocal agreement), the refunding resulted in a new EPFD balance as of December 31, 2019 of \$18,865,800 and as of December 31, 2022 of \$18,565,000. A Principal Payment of \$300,800 was made in 2022.

Details regarding modifications and additions to the Major Agreements with the City of Everett and the refinance terms may be found in Notes 2 and 4 to the financial statements.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of the loss on refunding of 2007 bonds that is being amortized over eight years, and Lease Payables for future years due to lease contracts. Deferred inflows of resources are associated with the renewed Spectra Venue Management agreement further described in Note 1-E-5 to the financial statements and Lease Revenues in future years due to lease contracts. Both Lease Revenues and Lease Liabilities are further discussed in Note 6 Leases.

Net Position

The EPFD's Net Position at December 31, 2021 and 2022 was \$(3,961,959) and \$(3,562,688), respectively. Excluding the impact of accumulated depreciation of \$26,613,609 through December 31, 2022, Net Position as of December 31, 2022 would be \$23,050,921.

Condensed Statements of Revenues, Expenses and Changes in Net Position as of December 31:

	2022	2021	Year to Year Variances
Revenues:			
Operating Revenue -			
Event Revenue	3,518,200	1,388,872	2,129,328
Contractually Obligated Income	675,089	828,544	(153,455)
Lease Revenue	407,250	0	407,250
Concessions and Catering Revenue	959,696	321,802	637,894
Ticketing Fees	990,037	416,073	573,964
Community Rink Revenue	886,454	671,081	215,373
Other Revenue	441,093	704,573	(263,480)
Total Operating Revenues	7,877,819	4,330,945	3,546,874
Non-Operating Revenue -			
Intergovernmental Revenues -			
Sales Tax Rebate	2,503,145	2,226,467	276,678
Admission Tax	413,921	248,593	165,328
Operating Grants and Contributions	668,270	600,000	68,270
Interest Revenue	100,848	4,430	96,418
Total Non-Operating Revenue	3,686,184	3,079,490	606,694
			0
Total Revenues	11,564,003	7,410,435	4,153,568
Expenses:			
Operating Expenses -			
Event Expenses	2,616,078	940,557	1,675,521
Lease Expense	42,370	0	42,371
Ticketing Expenses	482,745	200,841	281,904
Community Rink Expenses	27,517	11,427	16,089
Indirect Operating Expenses	6,333,498	5,263,557	1,069,941
Total Operating Expenses	9,502,208	6,416,382	3,085,826
Non-Operating Expenses -			
Interest	1,662,524	1,650,840	11,684
Total Non-Operating Expenses	1,662,524	1,650,840	11,684
Total Expenses	11,164,732	8,067,222	3,097,510
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	399,271	(656,787)	1,056,058
Net Position, Beginning of Year	(3,961,959)	(3,305,172)	(656,787)
Net Position, End of Year	(3,562,688)	(3,961,959)	399,271

Operating Revenues

Operating Revenues earned during 2021 and 2022 were \$4,330,945 and \$7,877,819 respectively, for an increase of \$3,546,874.

2022 Event Revenue was \$2,129,328 higher than 2021 due to events having higher attendance and happening throughout the year, comparable to event activity before the pandemic. In addition, with events on sale, Ticketing Fees increased by \$573,964 and Concessions and Catering Revenues increased by \$637,894.

Contractually Obligated Income, comprised primarily of advertising and premium seating income, decreased by \$153,455 from 2021 to 2022, this is due to \$404,400 of Suite Lease Revenues over one year now being reflected in Lease Revenue.

Community Rink Revenue increased by \$215,373 in 2022 mainly due to increases in the Learn to Skate programs, the number of Adult Leagues and General Admission revenues.

The difference in Other Revenues between 2021 and 2022 is largely attributed to a Boingo Contract with an initial payment of \$130,000 and a \$350,000 contract payment from the new Ticketmaster agreement in 2021 partly offset by EHT contract payments totaling \$150,000 in 2022 resulting in a decrease of \$263,480.

Operating Expenses

Operating expenses for 2021 and 2022 were \$6,416,382 and \$9,502,208 respectively.

The difference in Operating expenses of \$3,085,826 between 2021 and 2022 is largely attributed to an increase of \$1,675,521 in Event Expenses, an increase of \$281,904 in ticketing expenses and also an increase of \$1,112,309 of Indirect Expenses. These increases are all directly or indirectly a result of increased event activity.

Ticketing expenses increased between 2021 and 2022 by \$281,904 due to more events on sale and therefore more tickets being sold.

Indirect Operating Expenses increased between 2021 and 2022 by \$588,722 due to hired personnel and wage increases, \$228,186 due to management fee increase including accrued Corporate Incentives, as well as other expense increases due to more activity, such as \$116,351 in Utilities, and \$157,557 in Supplies.

Non-Operating Revenues

The EPFD's rebate from the State of Washington on Sales Taxes paid within the City of Everett increased from \$1,333,171 in 2021 to \$1,445,925 in 2022.

In January 2006, the EPFD began collecting the 5% Admission Tax allowed by statute. This revenue stream is critical to the EPFD's financial projections and is used to offset the cost of its tax backed bonds. In 2022, increased event activity resulted in an increase of \$165,328 in Admission Tax revenues.

Intergovernmental Revenues from the City of Everett include a Hotel/Motel Tax Grant of \$100,000.

The Snohomish County Public Facilities District (SCPFD) funds the EPFD in two tiers, one fixed, and the other variable. Tier I funds are received monthly, at \$529,640 per year. Tier II funds are discretionary, paid as funds are available. Tier II funds received in 2021 and 2022 were \$363,656 and \$527,580 respectively.

Increased interest revenue was due to higher cash balances and increasing interest rates in 2022. Interest Revenue increased by \$96,418 in 2022.

In 2022, a new Hotel-Motel Tax Fund Agreement went into effect between Snohomish County and the EPFD. The purpose of this Agreement is to establish the parameters for reimbursing the EPFD in an annual amount that, when combined with the amount dedicated annually to funding Everett Memorial Stadium bonds, will equal the amount committed from the County Council to Lynnwood Public Facilities District for Debt Service, beginning in 2022 and continuing through 2034, for debt service for the Facility. In 2022 the EPFD received \$68,270. The maximum contract amount is not to exceed \$10,528,934.

Debt Administration

In 2017, the Washington State Legislature passed Engrossed House Bill 1201, which extended the term of the State Sales Tax Revenue allocated for existing local Public Facilities Districts from twenty-five to forty years. This action will greatly benefit the EPFD cash flow in future years, as the SCPFD determined that the EPFD would receive 30.4% of the available revenues during the statutorily extended period from 2026 to 2041. This allowed the refunding of the EPFD fixed rate Limited Sales Tax and Interlocal Revenue Bonds to extend and reduce annual principal payments scheduled between 2018 and 2026.

At the end of 2018 the EPFD refunded the 2007 Limited Sales Tax and Interlocal Revenue Bonds. This was done issuing \$19,625,000 in LTGO refunding bonds. These Bonds carry maturities which began in December, 2019, and conclude on December 1, 2041.

In 2019, the City refinanced its outstanding 2014 LTGO Bonds, replacing variable interest LTGO Bonds to LTGO Bonds with a fixed interest rate, which resulted in a decrease of interest expense in 2022 regarding the Bond Interest. The ability of the City to secure a favorable fixed interest rate for the life of the debt removes volatility to the interest expense for the EPFD. Based on the financing schedule provided by the City, the fixed interest amount will decrease year by year.

In 2020 Snohomish County Council approved a funding agreement from Hotel/Motel tax proceeds in an amount not to exceed \$10,528,934 paid throughout the years 2022 through 2034, to assist the EPFD with its debt service payments. The Hotel-Motel Tax Fund Agreement outlining the distribution of funds throughout the term was signed on March 22nd, 2022. We received our first payment of \$68,270 on August 16, 2022. This amount was reduced from the amount of \$229,910 stated in the Funding Agreement due to Hotel/Motel proceeds collected by the Snohomish County in 2021 being lower than anticipated.

Overall Analysis of Financial Position and Result of Operations

The EPFD continues ongoing planning with the City of Everett to enhance its earnings capacity and to retire its construction debt. In 2007, agreements were rendered with the City of Everett to restructure the EPFD's Ground Lease, to provide an additional annual payment of \$500,000

specified for reduction of debt (commencing in 2007) and an extension of the annual Hotel/Motel Tax pledge of \$100,000 through 2033.

In 2022 the EPFD started payments to the City of Everett to pay off the Scoreboard Loan that the City granted the EPFD in 2015. The Scoreboard Loan was officially paid off on April 14, 2023.

The EPFD has been working to reduce operating losses through enhanced revenues and reduced expenses. Significant improvements were made in 2018 and 2019 through strong performing events, increased tax and admissions revenues and a decrease in debt related expenses, and operations in 2018 and 2019 provided positive cash flow. In 2020, the Covid-19 pandemic resulted in the cancellation of events and closures of the facility, severely impacting operations and creating an operating loss, though the EPFD implemented cost mitigation strategies that allowed it to maintain positive cash flow. In 2021, rules regarding crowd size and temporary closures in the first half of the year inhibited the EPFD's ability to generate revenue, resulting in an operating loss for the year, but continued cost mitigation strategies and a moderate return to event activity in the later half of 2021 allowed the EPFD to generate positive cash flow. Two main factors are assisting the EPFD to improve its net position. For one, the return to more typical operations and the return of events in both the Arena as well as the Conference Center. The second factor is the additional Hotel/Motel tax proceeds from Snohomish County that started in 2022, which will assist the EPFD in reducing its Debt.

Furthermore, the Sales and Use Taxes imposed under RCW 82.14.390, which provide a significant benefit to the EPFD through the Snohomish County PFD, were extended from a maximum term of 25-years to 40-years, and accordingly the EPFD has amended its interlocal agreement between the EPFD, City of Everett, Snohomish County and the Snohomish County Public Facilities District to extend its allocations through 2041 which will also positively impact the EPFD's net position.

Fund Analysis

The EPFD's Net Position is segregated into three categories – Net Investment in Capital Assets, Restricted for Debt Service Reserves, and Unrestricted. The debt service reserve requirements are detailed in Note 4. In addition, the Interlocal Agreement with the City of Everett requires a restricted Capital Replacement Fund. An improved monetary position has put the EPFD in the position to fund the Capital Replacement Fund on an annual basis based on the Capital Budget approved by the EPFD Board starting with Capital Funds for the year 2023. The Interlocal Agreement with the City of Everett further requires the EPFD to make payments on the Repayment Deficiency Loans. After retiring the Scoreboard Loan the EPFD is planning to make payments on the Repayment Deficiency Loans as General Revenue Funds permit.

Economic Factors

2022 was a full year without any mandated restrictions due to the Covid-19 pandemic. The Silvertips 2021-2022 season games in 2022 still suffered from some reduced attendance due to season ticket holders deferring their accounts due to pandemic concerns and also companies and organizations still hesitating to plan large group outings. Fortunately, attendance and sales for other events were favorable, and by the start of the 2022-2023 Silvertips season, attendance returned as usual.

Ancillary revenue streams related to ticketing fees and concessions revenues substantially increased from 2021 and are a continued growth area as the facility strives to increase per-person spending while attending events.

With a full return to business, there was an increased interest from businesses in advertising and in entertaining and hosting their staff and clients, which allowed the facility to bring on several new partners for sponsorship and suite leases. As economic conditions adjust, the business segments we are targeting for sponsorship continue to adjust but interest remains strong in promoting to large live audiences. Sponsorship revenue opportunities continue to be an important driver of contracted revenues for the EPFD, and investments made in 2022 in advertising assets such as the installation of an LED Ribbon Board support these priorities.

Event activity in 2022 was strong in quantity of shows and financial results. Disney On Ice generated the second highest gross revenues in the facility's history of hosting the event. Other highlights included Judas Priest, for King & Country and Walker Hayes among several other concerts and events. Multi-day event bookings for concert tour rehearsals, World Wide Dreambuilders and Street League Skateboarding all were key drivers of event revenue as well. Professional Bull Riding returned for the first time since 2012 and had strong results likely making it a new annual event.

The facility established relationships with several new promoters in 2022 such as Pepper Entertainment, Premier Productions and Rush Concerts resulting in additional events. The facility also continued to work with long-term promoting partners such as Live Nation, Renewal House NW and Frank Productions, among others.

The EPFD's ice rink business had strong growth in 2022 due to additional participants in its Learn-to-Skate programs, new adult league user groups, general admissions, and rate increases on ice time rentals.

Banquets and large company parties in the Conference Center were delayed in their return from the Covid-19 pandemic and did not come back again until September 2022. While small meetings likely will not occur at the level they previously did due to increased video conferencing, large meetings, gatherings, and events are expected to return fully and grow in frequency.

During the year, the full-time staffing levels increased, although remained slightly behind the pre-pandemic headcount due to reorganization and efficiencies of staffing better suited to the current business.

Strong gross ticket sales and increases in per-person spending in 2022 coupled with the lineup of 2023 events provides confidence to the EPFD's ability to generate favorable financial results.

Contacting the EPFD's Financial Management

This financial report is designed to provide our citizens and public officials with a general overview of the EPFD's finances and to show the EPFD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the EPFD at:

Everett Public Facilities District
2000 Hewitt Avenue, Suite 200
Everett, WA 98201
Attention: Director of Finance

Everett Public Facilities District
Statement of Net Position
December 31, 2022

	<u>2022</u>
Current Assets - Not Restricted:	
Cash and cash equivalents	4,645,702
Change and imprest cash	8,300
Accounts receivables - net	750,978
Prepaid Expenses	349,571
Total Current Assets - Not Restricted	5,754,551
Current Assets - Restricted:	
Restricted Assets	1,398,776
Total Current Assets - Restricted	1,398,776
Non-Current Assets - Not Restricted:	
Lease Receivables	1,518,917
Capital Assets	
Lease Assets (Right to use)	149,653
Land improvements, net	257,074
Building and improvements, net	29,850,875
Leasehold improvements, net	5,100
Facility equipment, net	3,810,191
Office equipment, net	108,660
Total Capital Assets - Not Restricted	34,181,553
Total Assets	42,853,797
Deferred Outflow of Resources	
Deferred charge on refunding	<u>43,365</u>
Total Deferred Outflow of Resources	<u>43,365</u>
Combined Assets and Deferred Outflows of Resources	<u><u>42,897,162</u></u>

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

Everett Public Facilities District
Statement of Net Position (Continued)
December 31, 2022

	<u>2022</u>
Current Liabilities:	
Current Portion of Long-Term Debt	645,000
Accounts Payable	274,382
Current accrued Interest Payable	62,773
Accrued Expenses	800,517
Taxes payable	31,234
Revenues collected in Advance	1,212,970
Deposits	<u>12,000</u>
Total Current Liabilities	<u>3,038,876</u>
Long-Term Debt, Net of Current Portion:	
Lease Payables - Future Years	149,653
Limited Sales Tax and Interlocal Bonds	
2018 Refunding Bonds	17,302,322
Due to other government	<u>23,521,051</u>
Total Long-Term Debt, Net of Current	40,973,026
Total Liabilities	<u>44,011,902</u>
Deferred Inflows of Resources	
Deferred Inflows of resources related to	
Lease Revenue	1,518,917
Venue management contract	<u>929,032</u>
Total Deferred Inflow of Resources	<u>2,447,949</u>
Combined Liabilities and Deferred Inflows of Resources	<u>46,459,850</u>
Net Position:	
Net Investment in Capital Assets	(7,393,108)
Restricted	1,398,776
Unrestricted	<u>2,431,644</u>
Total Net Position	<u>(3,562,688)</u>

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

Everett Public Facilities District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	<u>2022</u>
Operating Revenues:	
Event Revenue	3,518,200
Contractually Obligated Income	675,089
Lease Revenue	407,250
Concessions and Catering Revenue	959,696
Ticketing Fees	990,037
Community Rink Revenue	886,454
Other Revenue	441,093
	<hr/>
Total Operating Revenue	7,877,819
 Operating Expenses:	
Direct Expenses -	
Event Expenses	2,616,078
Ticketing	482,745
Community Ice Rink	27,517
Lease Expense	42,370
Indirect Operating Expenses:	
Personnel Expenses	2,440,654
Professional Services	112,040
Depreciation Expense	1,536,433
Taxes & Licenses	20,533
Utilities	682,647
Insurance	237,905
Management Fee	427,189
Cleaning	143,286
Telephone	42,075
Supplies	165,747
Advertising and Promotions	35,797
Printing and Signage	2,580
Repairs and Maintenance	242,331
Equipment Rental	15,911
Information Services Expense	12,063
Dues and Subscriptions	9,769
Meetings, Conferences and Training	5,341
Postage and Freight	1,273
Travel and Entertainment	11,068
Credit Card Fees	24,416
Other	164,438
	<hr/>
Total Operating Expense	9,502,208
 Operating Gain (Loss)	 (1,624,389)

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

Everett Public Facilities District
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended December 31, 2022

	<u>2022</u>
Non-Operating Revenue -	
Intergovernmental Revenues -	
Sales Tax Rebate - City of Everett	1,445,925
Sales Tax Rebate - Sno County PFD	1,057,220
Admission Tax	413,921
Interlocal Agreement - City of Everett	500,000
Hotel/Motel Tax Grants -	
City of Everett	100,000
Snohomish County	68,270
Interest Revenue	100,848
Interest Expense	(1,662,524)
Total Non-Operating Revenue	<u>2,023,660</u>
Change in Net Position	399,271
Net Position, Beginning of Year	<u>(3,961,959)</u>
Net Position, End of Year	<u><u>(3,562,688)</u></u>

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

Everett Public Facilities District
Statement of Cash Flows
For the Year Ended December 31, 2022

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	7,643,727
Payments to supplies	(6,812,694)
Payments to employees	(2,440,654)
Net Cash Provided by Operating Activities	<u>(1,609,621)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales Tax Rebate - City of Everett	1,445,925
Sales Tax Rebate - Snohomish County PFD	1,057,220
Grant - City of Everett	500,000
Admissions taxes - EPFD	413,921
Hotel / Motel Grant - City of Everett	100,000
Hotel / Motel Grant - Snohomish County	68,270
Net Cash provided by (used in)	<u>3,585,336</u>
Noncapital Financing Activities	<u>3,585,336</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Principal paid on Capital Debt	659,904
Interest paid on Capital Debt	(1,112,872)
Acquisition and construction of Capital Assets	805,869
Net Cash Provided by (used in) Capital and related Financing Activities	<u>352,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	100,848
Net Cash Provided by Investment Activities	<u>100,848</u>
Cash and Cash Equivalents, January 1	6,554,861
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(502,083)</u>
Cash and Cash Equivalents, December 31	<u>6,052,778</u>
Current Cash and Cash Equivalents	4,645,702
Change and imprest cash	8,300
Restricted cash and cash equivalents	1,398,776
Cash and Cash Equivalents, December 31	<u>6,052,778</u>

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

Everett Public Facilities District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	(1,624,389)
Adjustment to reconcile Operating Income to Net	
Cash provided (used) by Operating Activities:	
Depreciation Expense	643,044
Change in Assets and Liabilities:	
(Increase) / Decrease in Receivables	(111,098)
(Increase) / Decrease in Prepaid Expenses	(113,740)
Increase / (Decrease) in Accounts and other Payables	34,453
Increase / (Decrease) in Taxes Payables	14,891
Increase / (Decrease) in Revenue collected in Advance	(239,124)
Increase / (Decrease) in other current Liabilities	(213,657)
Total Adjustments	<u>14,768</u>
Net Cash Provided by Operating Activities	<u>(1,609,621)</u>

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

Everett Public Facilities District
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies:

The financial statements of the Everett Public Facilities District (EPFD) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the EPFD's accounting policies are described below.

A. Reporting Entity

The Everett Public Facilities District was created by City of Everett Ordinance No. 2511-01 pursuant to Chapter 35.57 of the Revised Code of Washington. The Ordinance, adopted on March 15, 2001, and effective on April 10, 2001, established the Everett Public Facilities District as a municipal corporation of the State of Washington. The Everett Public Facilities District is a component unit of the City of Everett for financial reporting purposes.

The Board of Directors consists of 5 members – the first directors appointed by the Everett City Council as provided for by Resolution #5030. At least one board members' term expires annually at which time the Everett City Council appoints a new member. Although the City of Everett is responsible for appointing members of the board, its accountability for this organization does not extend beyond making the appointments.

B. Fund Accounting

1. Background

The EEC includes three primary elements – a 10,000 seat, 211,100 square foot Arena, a 36,200 square foot Community Ice Rink and a 51,600 square foot Conference Center. The Conference Center was paid for and is owned by the City of Everett but is managed by the EPFD.

The EEC is primarily supported by the collection of sales tax rebates, hotel/motel taxes, grant revenue from City of Everett, admissions taxes, and user fees associated with Center operations; accordingly, the EPFD's financial accounts are organized as a proprietary fund.

2. Proprietary Fund

Proprietary funds are reported using the flow of economic resources measurement focus. The EPFD maintains a full set of accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. All assets, liabilities and deferred inflows and outflows of resources associated with the entity's activity, whether current or noncurrent, are

included on its statement of net position. Reported fund equity or net total assets are classified as total net position. The statement of revenues, expenses and changes in net position presents increases (revenues and gains) and decreases (expenses and losses) as changes in net position.

Operating revenues include event revenues, advertising and sponsorship revenues (contractually obligated income), concession and catering revenues, novelty revenues, community rink and other revenue directly associated with operation of the EEC.

Operating expenses include all expenses associated with operation of the EEC.

Non-operating revenues and expenses include tax support for the EEC, interest income and interest expense associated with financing of the EEC.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The EPFD statements are reported using the economic resource measurement focus and full-accrual basis of accounting, meaning that transactions and events are recognized when they occur, regardless of the timing of related cash flows.

D. Budgets and Budgetary Accounting

1. Scope of Budget

Budgets are adopted on a basis consistent with the District's generally accepted accounting policies. An annual appropriated budget is adopted at the level of the fund and the budget constitutes the legal authority for expenditures.

2. Procedures for Adopting the Budget

The EPFD's budget procedures are as follows:

The management agreement with Spectra Venue Management provides for the submission by Spectra Venue Management to the EPFD of a proposed operating budget for the upcoming year 90-days prior to the beginning of the new calendar year.

The Directors make adjustments to the proposed budget and adopt by resolution prior to the commencement of the New Year.

3. Amending the Budget

The Directors may make amendments to the budget as they determine to be appropriate from time to time during the course of the budget period.

E. Assets, Liabilities and Net Position:

1. Cash and Cash Equivalents

The EPFD maintains primary deposit accounts with the Washington State Local Government Investment Pool (LGIP) and Coastal Community Bank. The funds deposited in these accounts are managed with the intent to optimize return on all temporary cash surpluses consistent with a high degree of security, while meeting daily cash flow demands. Funds held in the Washington State LGIP are reported at amortized cost. The annual average rate of returns for 2021 and 2022 were 0.11% and 1.66% respectively. As of December 31, 2022, the EPFD cash and cash equivalents balances were \$4,645,702.

For purposes of the Statement of Cash Flows, the EPFD considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Custodial credit risk is the risk that in the event of a failure of the counter party to an investment transaction the EPFD would not be able to recover the value of the investment or collateral securities. The EPFD had no exposure to custodial risk in its investment accounts as of December 31, 2022.

Funds held in non-interest-bearing accounts at Coastal Community Bank in regards to FDIC issued limits of \$250,000 were \$1,353,969 as of December 31, 2022. There was an uninsured balance of \$1,103,969 that would need to be collateralized by securities held by the bank.

2. Receivables

Accounts receivable consist of customer accounts receivable owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

3. Capital Assets

Capital assets are recorded at historical cost and defined by the EPFD as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

See Note 5 for detail of Capital Assets as of December 31, 2022.

4. Accounts Payable

Accounts Payable as of December 31, 2022 was \$274,382. \$78,069 of the outstanding Accounts Payable were Utility cost, \$66,833 were Event related costs, \$50,277 were Benefit costs, \$11,602 were Capital Investment, \$16,283 was Management Fee, \$7,375 were Landscaping and Trash Removal costs, the remaining \$43,943 were operating related expenses including among others: R&M, Supplies, Cleaning, IT and Cable.

5. Deferred Inflows and Outflows of Resources

In January 2020, the EPFD entered into a renewal agreement with Spectra Venue Management.

The agreement provides for a payment of \$1,200,000 by Spectra Venue Management toward capital improvements in the EEC. \$800,000 were received in September 2020 and the remaining \$400,000 were received in July 2021. This revenue is being recognized over 124 months in accordance with the agreement as there is a repayment obligation for the unearned balance should the agreement be terminated early. The unamortized balance of deferred inflows of resources as of December 31, 2022 was \$929,032.

The EPFD recorded a loss on debt refunding in 2018 of the 2007 bonds. The unamortized balance of deferred outflows of resources is being amortized over 8 years. The balance as of December 31, 2022 was \$43,365.

6. Debt

See Note 4 for detail on Long Term Debt outstanding as of December 31, 2022.

7. Restricted Assets and Restricted Net Position

Restricted accounts contain reserves of \$1,398,776 for debt service on the 2018 issued Limited General Obligation Refunding Bonds 18A and 18B.

Everett Public Facilities District
Restricted Funds
For the Year Ended December 31, 2022

RESERVE FUNDS ESTABLISHED FOR BONDS	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT AT BEGINNING OF YEAR	DEBT OUTSTANDING END OF YEAR	RESERVE FUNDS HELD
Limited GO Refunding Bond 2018A	11/15/2018	12/1/2041	4.0-5.0%	11,800,000	11,800,000	864,463
Limited GO Refunding Bond 2018B	11/15/2018	12/1/2030	2.93-4.15%	6,100,000	5,475,000	534,312
TOTAL GENERAL OBLIGATION BONDS				17,900,000	17,275,000	1,398,776

Specific debt service reserve requirements are described in Note 4, Long Term Debt.

8. Deficit Fund Net Position

The EPFD has been working to reduce operating losses through enhanced revenues and reduced expenses. Significant improvements were made in 2018 and 2019 through strong performing events, increased tax and admissions revenues and a decrease in debt related expenses, and operations in 2018 and 2019 provided positive cash flow. In 2020, the Covid-19 pandemic resulted in the cancellation of events and closures of the facilities, severely impacting operations and creating an operational loss, though the EPFD implemented cost mitigation strategies that allowed it to maintain positive cash flow. In 2021, rules regarding crowd size and temporary closures in the first half of the year inhibited

the EPFD's ability to generate revenue, resulting in an operating loss for the year, but continued cost mitigation strategies and a moderate return in event activity in the later half of 2021 allowed the EPFD to generate positive cash flow.

The additional Hotel/Motel tax proceeds from Snohomish County starting in 2022, and a return to more typical operations assisted the EPFD to improve its net position in 2022 and will assist going forward.

Furthermore, the Sales and Use Taxes imposed under RCW 82.14.390, which provide a significant benefit to the EPFD through the Snohomish County PFD, were extended from a maximum term of 25-years to 40-years, and accordingly the EPFD has amended its interlocal agreement between the EPFD, City of Everett, Snohomish County and the Snohomish County Public Facilities District to extend its allocations through 2041 which will also positively impact the EPFD's net position.

Due to sufficient cash flow, the EPFD started payments in 2022 to the City of Everett to pay off the Scoreboard Loan that the City granted the EPFD in 2015. The Scoreboard Loan was officially paid off on April 14, 2023.

The deficit in Net Position decreased by \$399,271 from an overall loss of \$3,961,959 at the end of 2021 to a loss of \$3,562,688 at the end of 2022.

9. Net Position Classification

For government-wide reporting as well as proprietary funds, the difference between assets and deferred outflow of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The EPFD's restricted accounts contain reserves for debt service only. See Note 1 number 7 and Note 4, Long Term Debt. It is the District's policy not to consider the restricted net position for depletion.

F. Leases

GASB 87 is effective for fiscal years ending June 30, 2022 or after. Under this rule Lease Liabilities and Assets need to be reported for agreements that extend over more than twelve months.

The EPFD receives two types of Lease Revenue. A lease agreement for a shop within the Ice Rink and Suite Lease agreements that guarantee usage of our arena suites during events. The total revenue in 2022 from these sources was \$407,250. The amount of deferred inflows of revenues from leases as of December 31, 2022 was \$1,518,917.

The EPFD pays Lease Expenses for a storage unit and various equipment. The total lease expenses in 2022 were \$42,370. The amount of deferred outflows of expenses from leases as of December 31, 2022 was \$149,653.

Note 2 - Major Agreements:

Interlocal Agreements

The EPFD, City of Everett, Snohomish County and the Snohomish County Public Facilities District entered into an interlocal agreement dated December 20, 2001 regarding the EEC and a new County parking garage. The Agreement was originally for a term of 25 years but has since been extended to 40 years. The Agreement provides for the payment by the Snohomish County PFD of \$44,137 per month to the EPFD and an additional graduated annual payment to Snohomish County for the parking garage, collectively referred to as "Tier I". The Agreement grants the EPFD specific access to the parking garage for event related purposes. In 2009, the agreement was amended to provide for the allocation of a second tier of funding - "Tier II" - representing aggregate funds available to the Snohomish County PFD in excess of its initial Tier I commitments. The agreement provides that the EPFD is to receive 30.4305% of the aggregate Tier II allocations as determined by the Snohomish County PFD Board of Directors. Initial Tier I commitments will be fulfilled by January 1, 2027, and after that date, based on the amendment dated August 20, 2020, those respective revenue amounts received by the Snohomish County PFD will be considered part of the Tier II allocation eligible revenue. In 2022 the EPFD received \$527,580 of Tier II funds.

The EPFD has an interlocal agreement with the City of Everett for an operating lease of the ground on which the EEC is located. The agreement, dated February 28, 2002, and subsequently amended, is for a term of at least 25 years and up to 35 years, with all the improvements to the property passing to the City of Everett upon termination. Future rental payments are contingent upon operating results and payment in full of outstanding debt. In 2022, the rental payment amount for the ground lease to the City was \$0.

Hockey License Agreement

On April 19, 2002, the EPFD entered in a License Agreement with the Everett Silvertips Hockey Club of the Western Hockey League as the anchor tenant of the EEC. The license agreement provides for team facilities within the EEC.

The license agreement was renewed and amended on August 31, 2018 for 5 years through the 2022-2023 hockey season. This renewal includes \$500,000 of capital funding throughout the renewal term. The EPFD received the first \$250,000 from the Everett Silvertips in 2018 to be used towards purchase and installation of a new dasher board and glass system and \$25,000 in 2019 to be used towards the installation of rubber flooring in the dressing room hallway. In 2021, we received \$25,000 that was used towards Audio & Visual improvements. In 2022, we received \$150,000. \$50,000 were received for 2020 and 2021 improvement funds that were deferred due to Covid-19. \$100,000 were to be used for a new Zamboni. There is no repayment obligation for these capital funds. The remaining capital investment of \$50,000 will be received in the remainder of the term.

The EPFD is currently in renewal negotiations with the Everett Silvertips which would be the final five years extension of the current agreement.

The license agreement provides for payments to the EPFD of a percentage of Silvertips' ticket sales, and a sharing of EPFD concession revenues with the team.

Professional Management Contract

Effective December 1, 2002 the EPFD entered into a Pre-opening Services and Management Agreement with Global Spectrum, LP, now called Spectra Venue Management.

The agreement extends to all elements of the EEC, including the City of Everett owned Conference Center.

The term of the agreement extended three years from the Opening Date of the EEC, October 3, 2003. The agreement has been extended on a number of occasions, most recently for eleven years, beginning January 1, 2020.

The agreement includes a fixed base management fee plus an incentive fee which can be earned by exceeding the financial and service parameters outlined in the agreement.

The term extension and contract amendment effective January 1, 2020 provide for a payment of \$1,200,000 by Spectra Venue Management towards capital improvements in the EEC. \$800,000 were received in September 2020 and the remaining \$400,000 were received in July 2021. This revenue is being recognized over 124-months starting September 1, 2020 and concluding December 31, 2030 as there is a repayment obligation for the unearned balance should the agreement be terminated early. The unamortized balance of deferred inflows of resources as of December 31, 2022 was \$929,032.

Spectra Venue Management is tasked with the hiring and supervision of all EEC staff, facility maintenance, event booking, operational budgets as well as coordination with the Everett Silvertips Hockey Team and Spectra Food Services and Hospitality.

In November 2021, Spectra Venue Management was acquired by Oak View Group and now operates as OVG360.

Commercial Rights Marketing

Effective March 14, 2003, the EPFD contracted with Sports Facilities Marketing Group (SFMG) for the provision of marketing services related to commercial rights at the EEC.

This agreement was modified on May 20, 2004 to provide a lump sum payment and termination of the agreement effective May 20, 2004. Since that date, responsibility for the sale of commercial rights has been assumed by Spectra Venue Management staff (now operating as OVG360).

Food and Beverage Management

Effective October 1, 2015 the EPFD contracted with Spectra Food Services and Hospitality (SFS) for catering and concession services. SFS pays a percentage of concessions and catering gross revenue to the EPFD. As Spectra Food Services and Hospitality is affiliated with Spectra Venue Management, the EPFD Board of Directors negotiated the terms of the food and beverage agreement independently, with the assistance of an independent food and beverage consultant.

The initial term of the agreement was for 63 months, ending December 31, 2020.

The agreement provided for a payment of \$375,000 by SFS towards capital improvements in the EEC. This revenue was fully recognized over 60-months in accordance with the agreement and the final amount was recognized in September of 2020.

On May 1, 2019, the parties amended the agreement to extend the initial term through June 30, 2025, and further amended the agreement on March 18, 2021 to extend the initial term through June 30, 2027. Along with the extended term, SFS is to invest in \$250,000 of design services, improvements and/or capital equipment connected to food and beverage service. All items purchased by SFS with this investment become the property of the EPFD on June 30, 2025. The EPFD has a repayment obligation if the contract is terminated prior to June 30, 2025 for the unearned balance. The EPFD has the option to extend the agreement for five additional years.

In November 2021, SFS was acquired by Oak View Group and now operates as OVG Hospitality.

Naming Rights Agreement

The EPFD entered into a 10-year naming rights sponsorship agreement effective December 1, 2017 with the Stillaguamish Tribe of Indians (Tribe). The arena has since been renamed the "Angel Of The Winds Arena." The agreement has an additional five-year option exercisable by the Tribe.

Note 3 - Risk Management:

Insurance Pool Membership

Everett Public Facilities District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- (2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- (3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property ^{(2):}

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000

Sublimit ^{(5):}

Everett Public Facilities District

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There

were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 4 - Long Term Debt

In October 2014, the City of Everett and the EPFD entered into an Interlocal Agreement, which provided for the issuance by the City of Everett of \$35,865,000 of Limited Tax General Obligation Refunding Bonds. From the bond proceeds, \$27,415,000 was used to retire the EPFD's 2007 Project Revenue Bonds. This was designated in the Interlocal as the "2014 PFD Refunding Bonds" and was payable to the City of Everett. The Limited Tax General Obligation Refunding Bonds were floating rate bonds with interest at the SIFMA (Securities Industries & Financial Markets Association) rate plus 40 basis points, interest calculated weekly and payable monthly. Under the terms of the Interlocal Agreement, The City of Everett would make all payments on the Bonds, but bill EPFD for its share of the interest and principal payments as they are made, on a monthly basis. Amounts so billed, but unpaid by the EPFD per conditions of the Interlocal Agreement, would constitute a "Repayment Deficiency Loan" (RDL) from the City to EPFD. The unpaid balance of advances made under the RDL would accrue interest at the City's Interfund Loan Rate. Any balance outstanding at the time that title to the EEC passes to the City of Everett shall be deemed fully satisfied. With the Washington State Legislature's 2017 extension of the Sales Tax Revenue for existing Public Facility Districts from twenty to forty years, passage of ownership in the EEC to the City of Everett is anticipated to occur on December 1, 2041.

In 2015, the EPFD entered into an Interlocal Agreement with the City to borrow \$665,000 to be used for replacement of the EEC scoreboard. The unpaid balance accrues interest at the City's Interfund Loan Rate. In 2022 the EPFD started making payments to the City of Everett to pay off the Scoreboard Loan plus accrued interest. The Loan was officially paid off on April 14, 2023.

In August of 2018, the City of Everett and the Everett Public Facilities District entered into an Interlocal Agreement, which consolidated all prior agreements into one

master agreement. Through this Interlocal, the City agreed to a contingent loan guarantee to support the EPFD's refinance of its 2007 Limited Sales Tax and Interlocal Revenue Bonds described below.

In 2018 the EPFD issued \$19,625,000 in Limited General Obligation Refunding Bonds with interest rates ranging from 2.93% to 5.00%. The 2018 Bonds consisted of \$11,800,000 of Limited General Obligation Refunding Bonds, Series 2018A (tax exempt), and \$7,825,000 of Limited General Obligation Refunding Bonds, Series 2018B (taxable). The proceeds were used to advance refund \$17,695,000 of outstanding Limited Sales Tax and Interlocal Bonds, 2007, as well as \$4,770,000 of the 2014 Refunding Bonds payable to the City of Everett related to "2014 PFD Refunding Bonds", as described above. The outstanding balance as of December 31, 2022 is \$17,275,000.

The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payment on the refunded bonds. The refunded bonds are considered defeased, and the liability for those bonds has been removed from the Statement of Net Position. In 2018, the EPFD transferred \$4,975,082 for the advance refunding of a portion of the 2014 City of Everett LTGO Bonds to the City of Everett to be held in escrow until June 1, 2019, when the bonds were redeemed. As a result of that redemption, \$211,233 was refunded to the EPFD in 2019 including \$2,384 of accumulated interest on the Escrow amount.

In 2019, the City refinanced its 2014 Limited Tax General Obligation Refunding Bonds ("2014 PFD Refunding Bonds", as described above), replacing variable interest rate bonds with fixed interest rate bonds. Based on the financing schedules provided by the City, the refunding resulted in a reduction in debt payable by EPFD of \$3,826,011 and a balance outstanding as of December 31, 2022 of \$18,565,000.

In 2022, additions to the RDL totaled \$1,226,257, consisting of interest payments on the 2019 PFD Refunding Bonds of \$865,458, principal payment on the 2019 PFD Refunding Bonds of \$300,800 and interfund interest on the 2014 PFD Refunding Bond as well as the Scoreboard Loan of \$59,999. The 2022 payments on the Scoreboard Loan represent a deduction from the RDL of \$374,000. The City of Everett Interfund interest rate as of December 31, 2022 was 2.03%.

In 2022 the EPFD started payments to the City of Everett to pay off the Scoreboard Loan that the City granted the EPFD in 2015. The Scoreboard Loan was officially paid off on April 14, 2023. After retiring the Scoreboard Loan, the EPFD is planning to make payments on the Repayment Deficiency Loans as General Revenue Funds permit.

General obligation bonds outstanding as of December 31, 2022, are as follows:

NAME OF ISSUE / PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Limited GO Refunding Bond 2018A	11/15/2018	12/1/2041	4.0-5.0%	11,800,000		11,800,000
Limited GO Refunding Bond 2018B	11/15/2018	12/1/2030	2.93-4.15%	7,825,000	2,350,000	5,475,000
TOTAL GENERAL OBLIGATION BONDS				19,625,000	2,350,000	17,275,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2023	645,000	753,276	1,398,276
2024	665,000	731,152	1,396,152
2025	690,000	707,678	1,397,678
2026	715,000	682,493	1,397,493
2027	740,000	655,680	1,395,680
2028-2032	4,185,000	2,798,240	6,983,240
2033-2037	5,205,000	1,687,750	6,892,750
2038-2041	4,430,000	408,400	4,838,400
	17,275,000	8,424,668	25,699,668

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Bonds Payable					
General obligation bonds	17,900,000	0	(625,000)	17,275,000	645,000
Plus deferred amounts:					
For issuance discounts	(67,132)	0	3,371	(63,761)	(3,371)
For issuance premiums	785,430	0	(49,346)	736,084	49,346
Total Bonds Payable	18,618,298	0	(670,975)	17,947,323	690,975
Governmental Loans					
City Bonds	18,865,800	0	(300,800)	18,565,000	
Deficiency Loan (including Scoreboard)	4,103,891	1,226,257	(374,000)	4,956,148	
Total Governmental Loans	22,969,691	1,226,257	(674,800)	23,521,148	
	41,587,989	1,226,257	(1,345,775)	41,468,471	690,975

The Interlocal allows for payments on the 2014 PFD Refunding Bonds (which were refinanced in 2019, as described above), and advances made under the RDL only after the EPFD has met the following requirements:

- * Payment of all current obligations for interest and principal on the EPFD's 2018 Limited General Obligation Bonds Series A and Series B
- * Payment of all costs of operations and maintenance of the EEC
- * Contributions to a Capital Reserve Fund equal to the Annual Capital Repair Reserve Payment set forth in the Capital Needs Assessment.

Per IRS section 148(f) the EPFD accrues for arbitrage amounts earned on the reserve amount that was established for the \$11,800,000 Series A (tax exempt) Limited General Obligation Refunding Bonds. Arbitrage liability as of December 31,

2022 was \$0. The reserve fund established for the Series A offering is \$864,463, and the reserve fund established for the Series B (taxable) offering is \$534,312, and is required to be held until repayment of the Series B Bonds.

Within the obligation to make payments on the RDL, the repayment of the Scoreboard Loan takes priority over payments to the RDL and finally payments on the 2018 City Refunding Bonds. In 2022, the EPFD started making payments to the City of Everett to pay off the Scoreboard Loan plus accrued Interest. The Loan was officially paid off on April 14, 2023. After retiring the Scoreboard Loan the EPFD is planning to make payments on the Repayment Deficiency Loans as General Revenue Funds permit.

Note 5 - Capital Assets

Buildings and Leasehold Improvements

The Arena and Community Ice Rink buildings are depreciated using the straight-line method over the expected useful life of 45 years, commencing October 1, 2003.

By agreement with the City of Everett, the EPFD occupies office space in the Conference Center building. EPFD incurred \$136,000 in tenant improvements to this space, which are being amortized over their expected useful life of 20 years, commencing October 1, 2003.

Furniture, Fixtures, and Equipment

Facility equipment, office furniture and vehicles are depreciated using the straight-line method over the expected useful lives of the assets. Asset additions of \$5,000 or greater are capitalized by the EPFD.

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Lives</u>
Buildings and Structures	Straight-line	45-50 years
Leasehold Improvements	Straight-line	5-50 years
Vehicles	Straight-line	5 years
Facility Equipment	Straight-line	2-20 years
Office Equipment	Straight-line	2-15 years

Schedule of Changes in Capital Assets 2022

	Beginning Balance January 1, 2022	Increases	Decreases	Ending Balance December 31, 2022
Capital Assets, not being depreciated:				
Land Improvements	257,074	0	0	257,074
Total Capital Assets, not being depreciated	257,074	0	0	257,074
Capital Assets, being depreciated:				
Building	49,693,678	1,489,829	81,997	51,101,510
Leasehold Improvements	136,000	0	0	136,000
Facility Equipment	9,203,858	287,993	897,296	8,594,555
Office Equipment	524,378	7,340	0	531,718
Vehicle	24,652	0	0	24,652
Total Capital Assets, being depreciated	59,582,566	1,785,162	979,293	60,388,435
Less Accumulated Depreciation for:				
Building	20,178,657	1,072,307	329	21,250,635
Leasehold Improvements	124,100	6,800	0	130,900
Facility Equipment	5,245,819	431,605	893,060	4,784,364
Office Equipment	397,337	25,721	0	423,058
Vehicle	24,652	0	0	24,652
Total Accumulated Depreciation	25,970,565	1,536,433	893,389	26,613,609
Total Capital Assets being depreciated, Net	33,612,001	248,729	1,872,682	33,774,826
Total Capital Assets, Net	33,869,075	248,729	1,872,682	34,031,900

Note 6 - Leases

The EPFD receives two types of Lease Revenue. A lease agreement for a shop within the Ice Rink and Suite Lease agreements that guarantee usage of our arena suites during events. The total revenue in 2022 from these sources was \$407,250. The amount of deferred inflows of revenues from leases as of December 31, 2022 was \$1,518,917.

The EPFD pays Lease Expenses for a storage unit and various equipment. The total lease expenses in 2022 were \$42,370. The amount of deferred outflows of expenses from leases as of December 31, 2022 was \$149,653.

Everett Public Facilities District
Statement of Future Lease Receivables and Payables
For the Year Ended December 31, 2022

Lessor Contracts				
Year	Total Payments	Lease Balance	Amortization	Asset Balance
		1,518,917		1,518,917
2023	474,603	1,044,314	474,603	1,044,314
2024	458,752	585,562	458,752	585,562
2025	296,812	288,750	296,812	288,750
2026	81,250	207,500	81,250	207,500
2027	60,000	147,500	60,000	147,500
2028	30,000	117,500	30,000	117,500
2029	30,000	87,500	30,000	87,500
2030	30,000	57,500	30,000	57,500
2031	30,000	27,500	30,000	27,500
2032	27,500	0	27,500	0
Total	1,518,917		1,518,917	

Lessee Contracts				
Year	Total Payments	Lease Balance	Amortization	Asset Balance
		149,653		149,653
2023	67,480	82,173	67,480	82,173
2024	55,397	26,776	55,397	26,776
2025	26,776	0	26,776	0
Total	149,653		149,653	

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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.

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