

State Auditor's Office

Joint Select Committee on Junior Taxing Districts,
Municipal Corporations & Local Government Finance

**Audit Summary on Public Development Authorities
and Public Facilities Districts**

**Audit Summary on Local Government Financial
Condition**

November 26,
2012

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Audit Summary on Public Development Authorities (PDAs) and Public Facilities Districts (PFDs)

*PDA*s & *PFD*s

Why are we issuing this report?

- We audit PDAs and PFDs at least every three years.
- Many do an effective job.
- We have found recurring audit issues with some.



*PDA*s & *PFD*s

What are they?

- Public corporations formed by cities, towns or counties.
- Established to carry out a specific function.
- PDA purposes vary widely:
 - Convention center
 - Sports facility
 - Museum
 - Housing
 - Economic development
 - Tall ships
 - Public market
- PFDs are formed to acquire, create or operate certain public facilities:
 - Convention center
 - Museum
 - Sports, recreation and entertainment facilities



*PDA*s & *PFD*s

What have we found?

Common audit issues fall into four areas:

1. Inadequate monitoring by the creating entities.
2. Inadequate governance by the appointed boards.
3. Declining or distressed financial condition.
4. Non-compliance with laws and regulations.



*PDA*s & *PFD*s

Recommendations to creating entities

- Ensure appointed officials receive training and guidance on applicable laws and regulations.
- Ensure appointed board members take an active role in monitoring operations.
- Attend audit entrances and exits.
- Monitor their financial health.
- Inform the State Auditor when new *PDA*s and *PFD*s are created.



*PDA*s & *PFD*s

Recommendations to the Legislature

Change state law to require creating entities to:

- Monitor the *PFD*s they create. (This requirement is already in *PDA* law.)
- Receive annual reports from the *PDA*s and *PFD*s summarizing operations.
- Notify the State Auditor of new *PDA*s and *PFD*s.



Audit Summary on Local Government Financial Condition

Local Government Financial Condition

Why are we issuing this report?

- Our audits evaluate financial condition at least once every three years.
- Small but growing trend of distressed governments:
 - 88 governments reported on since 2006
 - 28 cities, two counties, 16 schools and 42 special purpose districts
 - Reported 22 governments in 2008 and 37 in 2010
- Growing state and national interest.



Local Government Financial Condition

Government types most affected

Number of governments with declining financial condition by type since 2006

Type of government	Total number of entities	Number with declining financial condition	Percent with declining financial condition
Hospital districts	58	13	22%
Risk pools	18	3	17%
Public development authorities/ public facilities districts	64	7	11%
Cities	281	28	10%
Housing authorities	43	4	9%
School districts	295	16	5%
Counties	39	2	5%
Water/sewer districts	190	4	2%
Fire districts	379	5	1%
Other	823	6	1%
Total	2,190	88	4%

Source: State Auditor's Office as of October 2012.



Local Government Financial Condition

Government types most affected

- In 2006 we found most financial condition issues in hospitals and school districts.
- School districts showing signs of distress have declined.
- We continue to see distress in hospitals and a growing frequency in entities like cities, counties, risk pools, public development authorities and public facilities districts.



Local Government Financial Condition

The state has limited authority to step in

- The Superintendent of Public Instruction can intervene when school districts are faced with distressed financial condition or the prospect of insolvency.

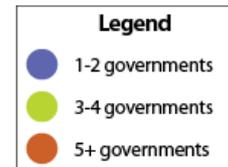
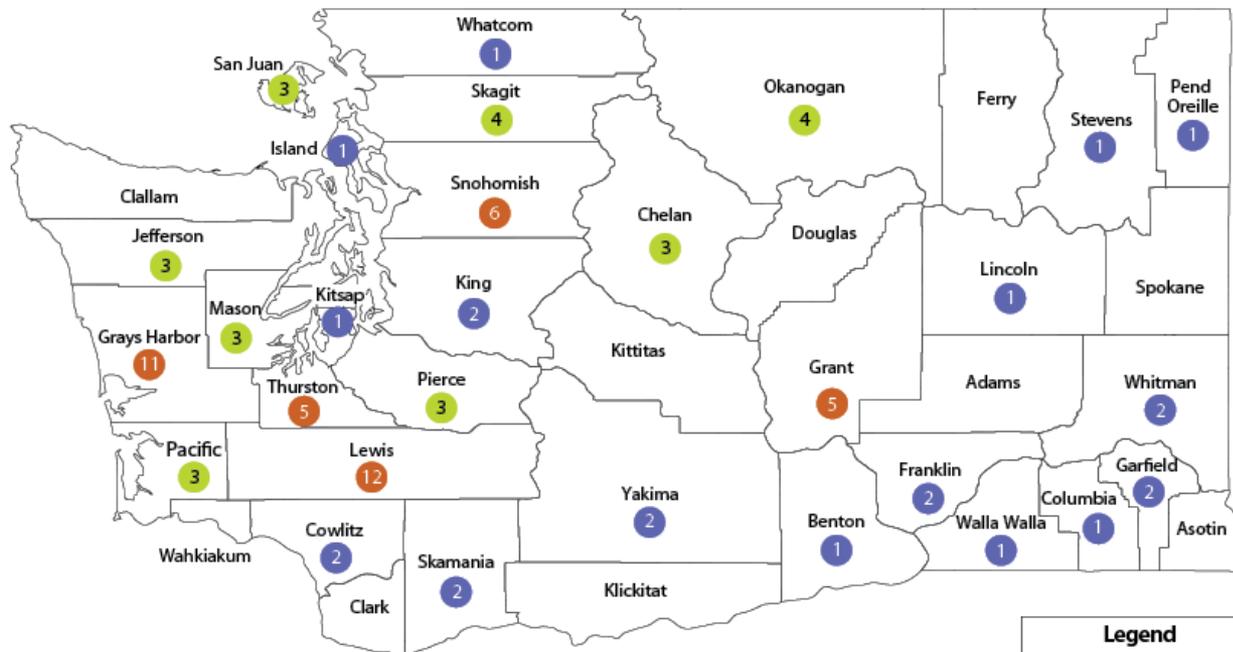


Local Government Financial Condition

Where are these governments?

Number of local governments with declining financial conditions by county

Tough conditions have led 88 governments to show financial distress since 2006



Source: State Auditor's Office as of October 2012.

Note: The circles show how many governments with an indicator of declining financial condition since 2006 are located in each county. Eighty-eight governments, including 28 cities, two counties, 16 school districts, and 42 other government districts, have had indicators of declining financial condition since 2006.



Local Government Financial Condition **Resources**

- State Auditor's Office Client Support Portal/Local Government Performance Center
- State Treasurer's 2010 report on financial health of cities and counties
- Association of Washington Cities "Red Flag Checklist"
- Government Finance Officers Association "Fiscal First Aid Resource"

Future Tool: Enhancements to the State Auditor's Local Government Financial Reporting System



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