



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Edmonds

For the period January 1, 2023 through December 31, 2023

Published June 12, 2025

Report No. 1037488



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

June 12, 2025

Mayor and City Council
City of Edmonds
Edmonds, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Edmonds financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Edmonds January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Edmonds are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

| <u>ALN</u> | <u>Program or Cluster Title</u> |
|------------|--|
| 21.027 | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Edmonds January 1, 2023 through December 31, 2023

2023-001 **The City did not have adequate internal controls for ensuring compliance with federal requirements for procurement and subrecipient monitoring and it did not comply with federal procurement requirements.**

| | |
|---|---|
| Assistance Listing Number and Title: | 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |
| Federal Grantor Name: | U.S. Department of the Treasury |
| Federal Award/Contract Number: | N/A |
| Pass-through Entity Name: | Washington Department of Commerce |
| Pass-through Award/Contract Number: | 22-96720-210 |
| Known Questioned Cost Amount: | \$0 |
| Prior Year Audit Finding: | N/A |

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure.

During 2023, the City spent \$3,622,519 in program funds to cover additional costs it had incurred during the pandemic, including expenditures supporting public health, household utility relief, and direct assistance payments to local businesses and nonprofit organizations financially affected by COVID-19. The program funds also included \$886,240 passed through to two subrecipients to fulfill components of the program's objectives. The portion of program funds the City passed through

to the subrecipients provided emergency assistance to households and college students financially affected by COVID-19.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Procurement

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. These procedures must reflect the most restrictive of applicable federal, state or local laws.

When using federal funds to procure goods and services, governments must apply the more restrictive requirements of federal, state or local laws by either obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity. Competitive bidding may be waived in certain circumstances, including via a sole source exemption when the purchase is only available from a single vendor. Governments must document the process and ensure they comply with applicable laws for waiving competitive bidding.

Additionally, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as “piggybacking.” This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking, the entity must enter into an agreement before it purchases services or goods from another entity’s contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.

Subrecipient Monitoring

Whenever the City passes on federal funding to subrecipients, federal regulations require it to monitor subrecipients to ensure they comply with the terms and conditions of the federal award. For these subawards, monitoring would include verifying the subrecipients only provided assistance to participants who met the program eligibility requirements. Subrecipient requirements also require the City to verify whether prior year awardees received an audit if they expended more than \$750,000 in federal awards, and to follow up on any findings issued.

Description of Condition

Procurement

The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative. Additionally, City's policy establishes the micro purchase threshold as \$20,000, which is less restrictive than the federal threshold of \$10,000.

Further, the City piggybacked onto another agency's contract to purchase vehicles and did not retain supporting documentation showing it verified the awarding agency followed applicable procurement requirements before purchasing. It also determined the purchase of a software system to be sole source but did not have documentation showing its rationale and justification for this non-competitive procurement.

We consider this internal control deficiency to be a material weakness that led to material noncompliance.

Subrecipient Monitoring

Our audit found the City did not have internal controls in place to adequately monitor its subrecipients, as federal regulations require. The City awarded program funds to two subrecipients during the audit period and was required to monitor four subrecipients with awards from previous fiscal years in the current audit period. The City did not obtain any documentation from one subrecipient and did not obtain documentation for the final quarter of its agreement with another subrecipient to ensure program participants were eligible for assistance. Further, the City did not determine whether four subrecipients expended more than \$750,000 in federal awards and received an audit when required.

We consider this deficiency in internal controls to be a significant deficiency.

Cause of Condition

Procurement

Procurement activity is decentralized and performed at the department level. The City experienced turnover in positions responsible for updating procurement policies and procuring transactions. City employees involved in these purchases were not provided adequate training to update policies and ensure they understood procurement requirements. As such, City employees were not aware of all federal

requirements involved when piggybacking onto another agency's contract or using exemptions to competitive procurement for sole source purchases.

Subrecipient Monitoring

The City received a recommendation in the prior audit related to this issue and began changing its procedures. However, due to timing and staff turnover, it was unable to perform and document all portions of subrecipient monitoring requirements for the period under audit.

Effect of Condition

Procurement

Without updated written policies and procedures, the City is at an increased risk of not complying with the most restrictive of federal, state or local procurement methods when using federal funds to procure goods and services.

The City did not provide supporting documentation showing the procurement methods used followed all applicable requirements for the purchase of vehicles and a software system totaling \$719,217. Without effective internal controls, the City cannot demonstrate it complied with federal procurement requirements, allowed for full and open competition and received the best price.

Subrecipient Monitoring

The City did not monitor \$290,647 expenditures for two subrecipients to ensure they complied with the terms and conditions of the subaward and appropriately used federal program funds. Therefore, the City was unable to confirm only eligible participants received assistance.

Further, the City did not adequately monitor four of its subrecipients to verify they received single audits when required. Although the City sent letters to three of these subrecipients to inquire about single audits, it did not follow up with them and it also did not have evidence that it monitored for audits for the other subrecipient. Without verifying the subrecipients received single audits when required, the City would be unaware if any findings were issued relating to program requirements that would require follow-up action.

Recommendation

We recommend the City strengthen its internal controls to ensure compliance with federal requirements. Specifically, we recommend the City:

- Provide training to employees responsible for updating policies and procurement transactions paid all or in part with federal funds
- Update its written procurement policy to conform to Uniform Guidance requirements (2 CFR § 200.318-327) for all procurement activities
- Ensure all goods and services charged to federal programs are procured in accordance with federal regulations and its own policy
- Verify all subrecipients receive single audits when required and retain sufficient documentation of this verification
- Perform and document sufficient monitoring procedures in accordance with subrecipients' risk to verify they are complying with the terms of the award including providing funding to eligible participants, when applicable

City's Response

The City acknowledges the audit findings and recognizes the importance of strengthening internal monitoring practices to ensure full alignment with federal requirements. While there may be additional context to consider regarding the specific circumstances, we appreciate the opportunity to clarify those details and outline the corrective actions that have been taken and are planned.

Subrecipient No.1 – Edmonds College

One of the subrecipients noted in the finding is a public higher education institution operating under the State Board for Community and Technical Colleges (SBCTC). The subrecipient administered the Student Emergency Assistance Grant (SEAG) in accordance with state guidelines that emphasize low-barrier, equity-focused access to emergency aid. These guidelines intentionally discourage requiring extensive documentation from students and instead rely on:

- *Written applications and student interviews*
- *Internal verification using the college's ctclink student system*
- *Program-level data tracking through financial aid systems*
- *Quarterly reporting to the City, which was submitted*

Due to FERPA protections, the college was limited in the level of personal data it could share externally without student consent. While this model limited the City's ability to independently audit eligibility at the individual level, it is consistent with

the state's recognized approach to supporting systemically disadvantaged students and aligns with SEAG Program principles. The City accepted this structure as appropriate during the agreement period.

Subrecipient No.2 – Washington Kids in Transition

For the second subrecipient, the City followed its standard internal audit process, which includes a quarterly review of 10% of submitted invoices to validate eligibility and ensure federal program compliance. After completing the first-quarter audit, the City identified concerns related to the supporting documentation for certain grant disbursements. In response:

- The City escalated oversight and required the subrecipient to submit documentation for 100% of invoices from May through July, encompassing both Q2 and Q3.*
- Concurrently, the City became aware that the subrecipient had not initiated or completed a Single Audit for FY2023. Upon learning that the audit would not be submitted by the federal deadline (September 30), the City immediately ceased all grant funding and closed the program.*
- Though additional invoices were received in August and September, the City determined that the heightened audit activity from May through July had addressed the prior concerns. Q3 was considered to have been appropriately audited, and no further audit was conducted for the final period. The City has not resumed any partnership with this entity since September 2024.*
- The subrecipient ultimately declined to obtain the required Single Audit for FY2023 and FY2024.*

Review of Prior Year Subrecipient Audit Requirements

As part of the City's monitoring efforts for subrecipients from previous fiscal years, the Deputy Director of Finance at the time requested Single Audit reports directly from the two college subrecipients and was ultimately able to obtain the reports through the Federal Audit Clearinghouse (FAC). While the City does not have documentation to confirm this process, it was discussed during internal meetings that the reports had been reviewed, and this task was considered complete at the time.

Of the four subrecipients referenced in the audit, the third was a nonprofit organization for which the Deputy Director reviewed publicly available financial records. Based on that review, it was determined the organization did not meet the \$750,000 federal expenditure threshold and was therefore not subject to a Single

Audit. The fourth subrecipient, the entity that did not complete the required audit, was addressed in the corrective actions outlined above.

Planned and Ongoing Corrective Actions

To strengthen subrecipient oversight moving forward, the City is implementing the following corrective actions:

- Updated Subrecipient Agreements: All future contracts will include specific and detailed language regarding audit thresholds, access to documentation, and monitoring expectations, including reference to Uniform Guidance requirements.*
- Audit Verification Procedures: The City will implement a documented protocol for tracking and verifying Single Audits for any subrecipient receiving \$750,000 or more in federal funds.*
- Monitoring Documentation: The City will maintain written records of all monitoring activities, including eligibility reviews, audit follow-up, and subrecipient communication.*
- Staff Training and Process Improvements: Staff responsible for subrecipient oversight will receive updated training on monitoring standards, documentation expectations, and federal compliance protocols.*

These actions will be implemented prior to any future program launches involving subawards of federal funds and will also apply to the monitoring of any current active grants. Although no additional funding of this type was issued in 2024, the City will be subject to audit for this period and will ensure compliance with all applicable requirements, including collecting the FY2024 Single Audit reports as required.

Corrective Action Plan – Procurement

The City's Purchasing Policy addresses requirements for "piggybacking" and purchasing through a Cooperative in section 13.0 Interlocal Agreements. However, the City should update the Purchasing Policy section 11.0 Procurement Using Federal Funds to include the same language that specifies the process of Interlocal and Cooperative agreements, or "piggybacking".

- As stated in the auditor's draft notification, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as "piggybacking". This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking,*

the entity must enter into an agreement before it purchases services or goods from another entity's contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.

To ensure compliance, although the City did confirm that the vendor followed their own bid law requirements, the City will do a better job documenting that verification in any future equipment purchases using federal funding.

Auditor's Remarks

We thank the City for its commitment to resolving this issue. We will follow up on the status of this finding during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures and requirements for maintaining records sufficient to detail the history of procurement.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by nonfederal entities.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for passthrough entities, establishes the requirements for subrecipient monitoring and management requirements for pass through entities.



CITY OF EDMONDS

121 5TH AVENUE NORTH • EDMONDS, WA 98020 • (425) 771-0240
www.edmondswa.gov

ADMINISTRATIVE SERVICES DEPARTMENT

MIKE ROSEN
MAYOR

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Edmonds January 1, 2023 through December 31, 2023

This schedule presents the status of findings reported in prior audit periods.

| | | |
|--|------------------------------------|--------------------------------------|
| Audit Period: 2022 | Report Ref. No.: 1033990 | Finding Ref. No.: 2022-001 |
| Finding Caption: The Edmonds Public Facilities District, a component unit of the City of Edmonds did not have adequate internal controls ensuring accurate reporting of its financial statements. | | |
| Background: Our audit found a significant internal control deficiency. Specifically, the District did not have a process in place to adequately research and implement new accounting standards. The District did not implement GASB Statement No. 87, Leases and as a result, the District underreported its lease receivable, deferred inflows balances and its lease interest revenue and it overstated its rent revenue. | | |
| Status of Corrective Action: (check one) <div><input checked="" type="checkbox"/> Fully Corrected</div> <div><input type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div> | | |
| Corrective Action Taken: <i>We acknowledge the audit finding regarding our component unit's failure to implement GASB 87 accounting for leases. Upon receiving the finding, I met with the Executive Director of the District to thoroughly discuss the issue, understand the reasons for non-compliance, and determine the necessary steps to rectify the situation.</i> <i>Cause of Non-Compliance: The primary cause of the non-compliance was a turnover in the district's accounting staff. This turnover led to a significant loss of institutional knowledge and the capacity to train new staff effectively in the implementation of GASB 87.</i> | | |

Corrective Actions Taken: Since the audit finding, the district has taken several steps to ensure compliance moving Forward:

- 1. **Training:** The district has provided comprehensive training to its accounting staff on GASB 87, focusing specifically on lease accounting requirements.*
- 2. **Policy Implementation:** New policies have been established to address and manage lease and subscription accounting in alignment with GASB 87 and related standards.*

***Additional Support Offered:** To further support the district's compliance efforts, I researched and proposed the creation of a subaccount within our Debt Book profile that could assist with the calculation and tracking of leases and subscriptions under GASB 87. This tool was intended as a backup measure to provide additional assurance in maintaining compliance. However, the District decided to utilize its own spreadsheets for this purpose, which they have integrated into their compliance processes.*

***Plan for Year-End 2023:** The District has expressed confidence in their revised processes and tools, which have been designed to ensure compliance with GASB 87 by the year-end 2023. We will continue to monitor their progress and offer support as needed to ensure full compliance and prevent future findings of this nature.*

Should you require any further information or documentation regarding the steps taken to address this finding, please do not hesitate to contact me.

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*

City of Edmonds January 1, 2023 through December 31, 2023

Mayor and City Council
City of Edmonds
Edmonds, 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 governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

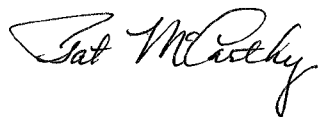
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City'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 City'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 City'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 10, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Edmonds
January 1, 2023 through December 31, 2023

Mayor and City Council
City of Edmonds
Edmonds, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Edmonds, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. In the accompanying Schedule of Federal Award Findings and Questioned Costs, we consider the deficiencies described in Finding 2023-001 to be a material weakness and the deficiencies described in Finding 2023-001 to be a significant deficiency.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 10, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Edmonds January 1, 2023 through December 31, 2023

Mayor and City Council
City of Edmonds
Edmonds, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City'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 respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street Construction and Edmonds Rescue Plan funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 City 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 opinions.

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 City'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 opinions. 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 City'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 City'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 and required supplementary information listed in the financial section of our report 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

June 10, 2025

FINANCIAL SECTION

City of Edmonds January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

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Statement of Activities – 2023

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Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2023

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2023

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2023

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Street Construction Fund – 2023

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Schedule of Changes in the Total OPEB Liability and Related Ratios – Firemen's Pension Fund Other Post-Employment Benefits - 2023

Schedule of Changes in the City's Net Pension Liability and Related Ratios – Firemen's Pension Fund – 2023

Schedule of City Contributions – Firemen's Pension Fund – 2023

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2023

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Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of these statements provides an overview of the City's financial activities for the year ended December 31, 2023. The purpose is to highlight significant financial issues, major financial activities and resulting changes in the financial position and economic factors affecting the City. The reader is encouraged to consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, the City's financial statements and the accompanying notes following the financial information.

Financial Highlights

- In December 2023, the City of Edmonds passed Resolution 1532 declaring a fiscal emergency. This resolution highlights that while a balanced budget was adopted in December 2022, subsequent budget amendments throughout 2023 led to increased expenses that surpassed sustainable revenue levels, resulting in a structural deficit as defined by Article VIII of the Fund Balance Reserve Policy. In response to this critical situation, in January newly elected Mayor Rosen took immediate action to restore the city's fiscal health by appointing a six-member Blue Ribbon Panel, led by financial consultant Mike Bailey. The panel is charged with providing actionable recommendations to achieve financial recovery and resilience by June 2024, ensuring the long-term stability of Edmonds' finances.
- The City's revenue performance in many areas remained stable in 2023. Sales taxes continued to experience moderate year over year growth, total taxable assessed property values in the City increased by 19 percent over 2022, and the estimated actual value of property decreased by -0.5 percent.
- General Fund expenses increased from \$45.4 million in 2022 to \$55.6 million in 2023, an increase of \$10.2 million or 22.5%. The city has demonstrated a continued commitment to enhancing public safety, evidenced by a significant increase in related spending. In 2022, the city allocated \$26.1 million towards public safety, which was further increased to \$31.0 million in 2023. This increase of \$4.8 million represents an 18.6% rise in public safety spending year-over-year. Additionally, the city boosted its expenditures on general government activities by \$2.7 million, and the city's spending on culture and recreation saw a notable increase of \$1.2 million.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at fiscal year-end by \$248.2 million (net position), an increase of \$8.1 million over 2022. Of this amount, \$172.6 million is a net investment in capital assets. The unrestricted net position totals \$47.9 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals \$27.7 million and is earmarked for debt service, capital projects, special revenue funds and pension costs.
- The City's total net position improved by \$8.1 million in 2023. Governmental activities increased by \$1.7 million and business-type activities increased by \$6.4 million.
- Governmental funds reported a combined ending fund balance of \$24.8 million; a \$10.9 million decrease from the prior year. Of this amount, \$8.6 million is unassigned and available to fund ongoing activities. The committed fund balance category totals \$3.4 million. The 2023 unassigned fund balance equals 16% of 2023 general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information contained in the report is intended to furnish additional detail to support the basic financial statements.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Edmonds as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the city's financial position in a manner like that of the private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect the cash flows until future periods.

The focus of the **Statement of Net Position** is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The **Statement of Activities** presents both the gross and net cost of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity in this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

Governmental activities of the City include general government (executive, finance, legal, human resources, and court), public safety, utilities and environment, transportation, economic environment, mental and physical health, and culture and recreation. The City's business-type activities include water, sewer, and storm utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The City also includes as a discretely presented component unit the Edmonds Public Facilities District (PFD), a performing arts center in Edmonds, and the PFD's blended component unit, the Edmonds Center for the Arts, a non-profit established to collect donations and manage the operations for the PFD. Although legally separate, the PFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type, such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Edmonds, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City presents two categories of funds: governmental funds, and proprietary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining which financial resources are available in the short-term to finance City programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Funds' Balance Sheet and the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

Information for the major governmental funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the non-major funds is presented in the aggregate.

The City's main operating fund is the General Fund. However, the City maintains many accounts and several sub-funds within the General Fund. The remaining governmental funds are combined into a single column labeled non-major governmental funds.

The City maintains control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and in accordance with state law. A budgetary comparison is presented for the General Fund as part of the basic financial statements.

Proprietary funds account for services for which the City charges outside customers and other City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided primarily to citizens. Internal service funds are used to account for goods and services provided primarily to City departments.

The enterprise fund statements provide information for the City's water, sewer, and storm water utilities. The City uses internal service funds to account for its fleet of vehicles and its technology services and equipment. Because these internal services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found following the governmental fund statements of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pensions and other post-employment benefits. Additional information can be found in Note 10 – Pension Plans and Note 11 – Other Post-Employment Benefits.

Government-wide Financial Analysis

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's financial condition. The following two tables address the financial results of the City as a whole. The first table is a condensed version of the 2023 government-wide statement of net position with a comparison to 2022:

Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 59,326,765 | \$ 71,990,636 | \$ 41,322,551 | \$ 38,836,254 | \$ 100,649,316 | \$ 110,826,890 |
| Capital assets, net | 102,821,527 | 93,737,108 | 132,746,945 | 131,445,498 | 235,568,472 | 225,182,606 |
| Total assets | 162,148,292 | 165,727,744 | 174,069,496 | 170,281,752 | 336,217,788 | 336,009,496 |
| Deferred outflows of resources | 7,268,427 | 6,989,495 | 892,747 | 765,592 | 8,161,174 | 7,755,087 |
| Deferred outflows of resources | 7,268,427 | 6,989,495 | 892,747 | 765,592 | 8,161,174 | 7,755,087 |
| Total assets and deferred outflows of resources | 169,416,719 | 172,717,239 | 174,962,243 | 171,047,344 | 344,378,962 | 343,764,583 |
| Current liabilities | 13,655,555 | 16,120,820 | 5,469,669 | 6,059,137 | 19,125,224 | 22,179,957 |
| Noncurrent liabilities | 22,727,472 | 22,498,601 | 48,388,270 | 50,255,914 | 71,115,742 | 72,754,515 |
| Total liabilities | 36,383,027 | 38,619,421 | 53,857,939 | 56,315,051 | 90,240,966 | 94,934,472 |
| Deferred inflows of resources | 5,015,187 | 7,783,917 | 876,416 | 928,641 | 5,891,603 | 8,712,558 |
| Deferred inflows of resources | 5,015,187 | 7,783,917 | 876,416 | 928,641 | 5,891,603 | 8,712,558 |
| Total liabilities and deferred inflows of resources | 41,398,214 | 46,403,338 | 54,734,355 | 57,243,692 | 96,132,569 | 103,647,030 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 90,900,016 | 93,327,496 | 81,713,766 | 76,875,351 | 172,613,782 | 170,202,847 |
| Restricted | 23,340,393 | 24,203,885 | 4,372,023 | 3,983,194 | 27,712,416 | 28,187,079 |
| Unrestricted | 13,778,096 | 8,782,520 | 34,142,099 | 32,945,107 | 47,920,195 | 41,727,627 |
| Total net position | \$ 128,018,505 | \$ 126,313,901 | \$ 120,227,888 | \$ 113,803,652 | \$ 248,246,393 | \$ 240,117,553 |

Analysis of Net Position

Total net position (assets and deferred outflows, minus liabilities and deferred inflows) of the primary government was \$248.2 million at December 31, 2023 an improvement of \$8.1 million or 3% compared to December 31, 2022. Governmental activities increased their net position by \$1.7 million and business-type activities increased their net position by \$6.4 million.

The largest component of the City's net position, \$172.6 million, or 69.5%, is its investment in capital assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide ongoing services to residents. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations.

Approximately \$27.7 million of the primary government's total net position is restricted for debt service payments, transportation improvements, pensions, and other purposes, a decrease of \$474,663 compared to 2022. The primary government's December 31, 2023 unrestricted net position totals \$47.9 million, a \$6.2 million increase compared to the previous year.

The December 31, 2023 governmental activities unrestricted net position of \$13.8 million may be used to meet ongoing obligations to residents and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of these resources for future use.

Restricted governmental fund net position is \$23.3 million. Approximately \$12.8 million is restricted for purposes such as public safety, transportation, culture and recreation, and other purposes and \$10.5 million is restricted for pensions.

Unrestricted net position of the City's business-type activities totals \$34.1 million, representing the portion of unrestricted net position that may only be spent on activities related to one of the City's utilities (water, sewer, and storm water). Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, water meter reading, and the wastewater treatment plant.

Changes in Net Position

The change in net position represents the increase or decrease in City net position resulting from its various activities. The following table is a condensed version of the City's changes in net position and compares 2023 results with 2022. This table shows program revenues, their respective expenses and the overall changes in net position for both governmental-type and business-type activities:

Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,395,182 | \$ 10,366,145 | \$ 33,106,863 | \$ 30,998,644 | \$ 44,502,045 | \$ 41,364,789 |
| Operating grants and contributions | 3,997,648 | 4,853,491 | 35,010 | 40,700 | 4,032,658 | 4,894,191 |
| Capital grants and contributions | 9,745,004 | 5,864,896 | 929,181 | 3,290,665 | 10,674,185 | 9,155,561 |
| General revenues: | | | | | | |
| Property taxes | 14,933,195 | 14,814,499 | - | - | 14,933,195 | 14,814,499 |
| Sales taxes | 13,038,049 | 12,605,880 | - | - | 13,038,049 | 12,605,880 |
| Interfund utility taxes | 2,633,692 | 2,401,049 | - | - | 2,633,692 | 2,401,049 |
| Utility taxes | 4,308,787 | 4,198,886 | - | - | 4,308,787 | 4,198,886 |
| Excise taxes | 5,399,132 | 6,459,298 | - | - | 5,399,132 | 6,459,298 |
| Interest and investment earnings | 2,719,341 | (618,323) | 1,367,456 | (504,589) | 4,086,797 | (1,122,912) |
| Miscellaneous | 1,232,109 | 702,366 | 71,037 | 261 | 1,303,146 | 702,627 |
| Gains on disposition of assets | 681,894 | 295,544 | 455,034 | - | 1,136,928 | 295,544 |
| Total revenues | 70,084,033 | 61,943,731 | 35,964,581 | 33,825,681 | 106,048,614 | 95,769,412 |
| EXPENSES | | | | | | |
| Governmental activities: | | | | | | |
| General government | 16,193,311 | 12,779,250 | - | - | 16,193,311 | 12,779,250 |
| Public safety | 32,514,628 | 26,922,648 | - | - | 32,514,628 | 26,922,648 |
| Utilities and environment | 322,549 | 253,819 | - | - | 322,549 | 253,819 |
| Transportation | 6,470,925 | 5,846,088 | - | - | 6,470,925 | 5,846,088 |
| Economic environment | 2,713,945 | 1,993,488 | - | - | 2,713,945 | 1,993,488 |
| Mental and physical health | 86,707 | 38,676 | - | - | 86,707 | 38,676 |
| Culture and recreation | 9,832,430 | 6,095,415 | - | - | 9,832,430 | 6,095,415 |
| Interest on long-term debt | 247,965 | 270,922 | - | - | 247,965 | 270,922 |
| Business-Type activities: | | | | | | |
| Water Fund | - | - | 8,232,014 | 7,393,505 | 8,232,014 | 7,393,505 |
| Storm Fund | - | - | 5,719,800 | 4,307,280 | 5,719,800 | 4,307,280 |
| Sewer Fund | - | - | 15,585,500 | 13,891,346 | 15,585,500 | 13,891,346 |
| Total expenses | 68,382,460 | 54,200,306 | 29,537,314 | 25,592,131 | 97,919,774 | 79,792,437 |
| Excess (deficiency) before transfers | 1,701,573 | 7,743,425 | 6,427,267 | 8,233,550 | 8,128,840 | 15,976,975 |
| Transfers | 3,031 | 935 | (3,031) | (935) | - | - |
| Increase (decrease) in net position | 1,704,604 | 7,744,360 | 6,424,236 | 8,232,615 | 8,128,840 | 15,976,975 |
| Net position - beginning | 126,313,901 | 118,569,541 | 113,803,652 | 105,571,037 | 240,117,553 | 224,140,578 |
| Net position - ending | \$ 128,018,505 | \$ 126,313,901 | \$ 120,227,888 | \$ 113,803,652 | \$ 248,246,393 | \$ 240,117,553 |

Analysis of the Changes in Net Position

Net position of the primary government increased by \$1.7 million, resulting from increases to both revenues and expenditures. An increase in capital grants and contributions, interest and investment earnings, and charges for services contributed to the increase in revenues. Of notable concern, the largest increases in revenue were attributed to one-time grants and interest on investments. Governmental taxes increased \$893,409 from 2022 to 2023. However, comparing tax revenue year-over-year increase from 2022 to 2023 and 2021 to 2022, is down 25%. Total expenses increased by \$14.1 million or 26.2% over the prior year. These changes are discussed in more detail below.

Governmental Activities:

The table above shows the net position for Governmental activities increased by \$1.7 million, the result of increases in both revenues and expenses compared to 2022. Governmental activity expenses increased by \$14.1 million or 26.2% and Governmental activity revenues increased by \$8.1 million, or 13.1% from 2022 levels.

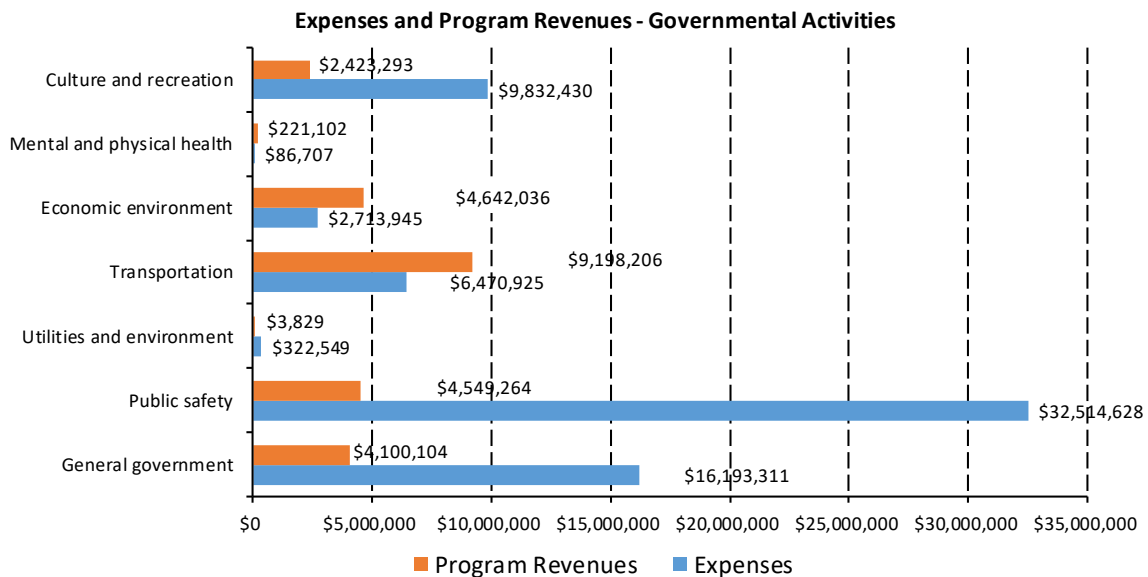
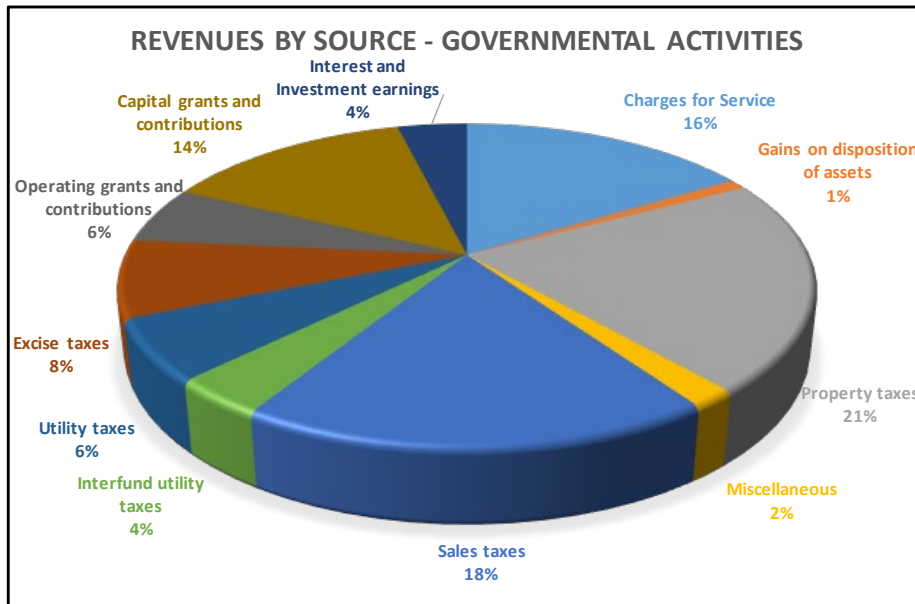
Below are some significant changes to revenues for 2023:

- Capital Grants and Contributions increased by \$3,880,108, or 66.2%.
- Interest and Investment earnings increased by \$3,337,664 or 540%.
- Charges for services increased by \$1,029,037, or 9.9%.
- Sales tax collections increased by \$432,169 or 3.4%.

Below are some significant changes to expenses for 2023:

- Investments in Public Safety increased by \$5,591,980, or 21%.
- Investments in Transportation increased by \$624,837 or 11%.
- Investments in Culture & Recreation increased by \$3,737,015 or 61%.

The next chart displays the government activity revenue by source, while the second one reflects the specific programs' revenues and related expenses for the various activities of the City. Gaps between specific programs' revenues and their related expenditures are funded through general tax revenues.

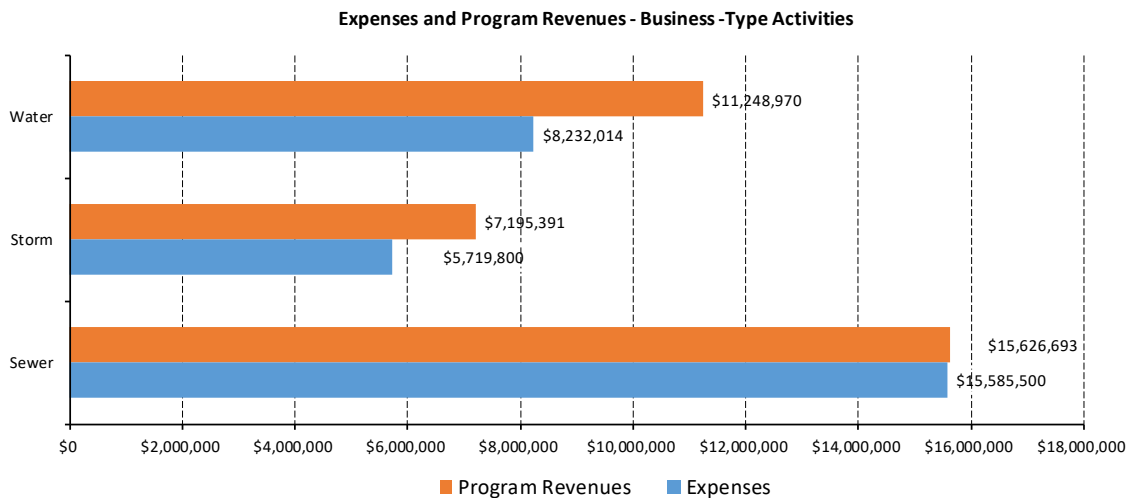


Business-type Activities:

Business-type activities net position increased by \$6.4 million, or 5.6%, compared to an increase in net position of \$8.2 million the previous year. Multiple factors contributed to this increase, notably including an annual rate increase for each of the City's three utilities. As our business-type activities gradually recover from the pandemic, overall spending on repairs and maintenance, as well as construction projects, slowly returned to a more normal state.

The majority of net position in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, storm water infrastructure, and the wastewater treatment plant. As such, most of the net position is not available to support the ongoing expenses of the funds.

The following chart depicts major sources of revenue for business-type activities:



Financial Analysis of the City's Funds

As noted earlier, the City of Edmonds uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

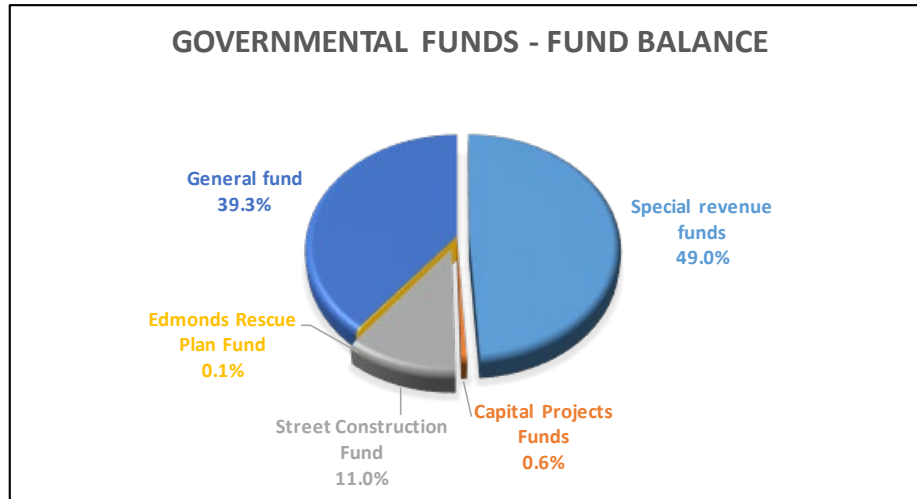
Governmental funds

The purpose of the City's governmental funds is to report on near-term revenues/financial resources and expenditures. This information helps determine the City's short-term financial requirements. Specifically, fund balance is a good indicator of the City's financial resources.

As of December 31, 2023, the City's governmental funds had combined fund balances of \$24.8 million, a decrease of \$10.9 million or 30.5% from 2022. Approximately 34.7% or \$8.6 million of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion.

The General Fund, Fund 001, is the primary operating fund of the City. The 2023 fund balance decreased by \$9.6 million or 50.0% from 2022. The City of Edmonds experienced a notable decrease in the General Fund balance from 2022, which raises concerns about the fiscal health of the city. City leadership is actively addressing the structural imbalance between revenues and expenses to ensure long-term financial stability. The fiscal emergency declared in December 2023 remains in effect and will continue until the operating reserve balance in the General Fund is fully restored to the levels dictated by city policy. Efforts are underway to rectify this imbalance and restore the financial resilience of the city. The General Fund unassigned fund balance of \$8.6 million is just 15.5% of 2023 total General Fund expenditures, signaling that the fund has under two months of expenditures in reserve, further indicating financial distress; however, city leadership is actively developing a long-term plan to address these challenges. The remaining \$1 million of the fund balance is committed to indicate that it is not available for new spending because it has already been committed for debt service payments, public safety, transportation, recreation or other purposes.

The following chart shows the relative fund balances for governmental funds:



Proprietary funds

The City of Edmonds' proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the combined utility funds at the end of the year amounted to \$34.1 million, a \$1.2 million increase over 2022. The change in total net position for the three funds was an \$6.4 million increase.

General Fund Budgetary Highlights

The City of Edmonds produces an annual budget document to reflect the Council's and the Community's priorities for where City resources should be directed. The budget reflects the City Council's goals of maintaining long-term financial health and stability in the City's General Fund and reserves, while continuing the delivery of high-quality services to citizens.

The original 2023 General Fund expenditure budget of \$56.5 million was amended to include additional appropriations of \$7.7 million. The increase in appropriation was primarily due to the AFSCME and Teamster collective bargaining agreements (CBAs) being settled too late to incorporate contract changes into the budget. These CBAs also dictate cost-of-living adjustments (COLAs) for non-represented employees, all of which account for \$3.6 million of the increase. Additionally, there were budget amendments to support American Rescue Plan Act (ARPA) spending. A comparison of the actual performance of the General Fund revenue on a budgetary basis to the final budget indicates that total budgeted revenues (excluding transfers) exceeded actual revenues by \$6.2 million. This was primarily due to a decrease in charges for services, a result of a change in the way that the City records interfund transfers. Total actual expenditures excluding transfers were under budget by \$8.5 million or 13.4% in the General Fund. The under expenditures are largely due to a change in the way that the city records interfund transfers, as well as significant vacant positions in various departments.

Capital Asset and Debt Administration

Capital Assets

The City of Edmonds' investment in capital assets (net of depreciation) for governmental and business-type activities as of December 31, 2023 amounts to \$172.6 million, an increase of \$14.3 million from 2022. This investment in capital assets includes land and construction in progress, which are not subject to depreciation. Other capital assets, including buildings, improvements other than buildings, infrastructure, machinery and equipment, and intangible assets, are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$102.8 million in 2023, an increase of \$9.1 million from 2022. Business-type capital assets (net of depreciation) totaled \$132.7 million, an increase of \$1.3

million from 2022. In addition to the effects depreciation, these changes are the result of capitalizing construction in progress, and acquisition of machinery and equipment. More information on the City's Capital Assets can be found in Note 9 – Capital Assets and Depreciation.

A summary of the City's capital assets, net of accumulated depreciation, follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | As of 12/31/23 | As of 12/31/22 | As of 12/31/23 | As of 12/31/22 | As of 12/31/23 | As of 12/31/22 |
| (in thousands) | | | | | | |
| Land | \$ 18,185 | \$ 17,940 | \$ 1,257 | \$ 1,257 | \$ 19,442 | \$ 19,197 |
| Building | 6,895 | 6,737 | 15,345 | 14,414 | 22,240 | 21,151 |
| Improvements other than buildings | 30,513 | 17,733 | 80,529 | 77,578 | 111,042 | 95,312 |
| Infrastructure | 33,701 | 24,127 | - | - | 33,701 | 24,127 |
| Machinery and Equipment | 6,106 | 5,428 | 370 | 397 | 6,476 | 5,825 |
| Intangible Assets | 34 | 45 | 47 | 47 | 81 | 92 |
| Right-to-use Lease | 362 | 410 | 11 | 15 | 373 | 425 |
| Right-to-use Subscription | 75 | - | - | - | 75 | - |
| Construction in Progress | 6,950 | 21,255 | 35,188 | 37,715 | 42,137 | 58,970 |
| Total | \$ 102,822 | \$ 93,675 | \$ 132,747 | \$ 131,423 | \$ 235,568 | \$ 225,099 |

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$57.9 million. Of this amount, \$11.3 million is general obligation bonds for governmental activities, \$5.5 million is general obligation bonds for business-type activities, and \$41.1 million is revenue bonds for business-type activities for the City-operated utilities. The City currently maintains a rating of AAA for the 2019 and 2021 LTGO Bonds and AA for the 2020 Water and Sewer Revenue Bonds with Standard & Poor's and Aa1 for the 2012 LTGO Bonds and Aa2 for the 2013 and 2015 Water and Sewer Revenue Bonds with Moody's.

The following schedule summarizes the City's long-term debt. For additional detailed information on long-term debt activity please see Notes 12 and 13.

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | As of 12/31/23 | As of 12/31/22 | As of 12/31/23 | As of 12/31/22 | As of 12/31/23 | As of 12/31/22 |
| General Obligation Debt | \$ 11,295,000 | \$ 11,845,000 | \$ 5,520,000 | \$ 6,070,000 | \$ 16,815,000 | \$ 17,915,000 |
| Revenue Bonds | - | - | 41,115,000 | 41,955,000 | 41,115,000 | 41,955,000 |
| Notes from Direct Borrowing | 386,979 | 527,488 | 1,747,540 | 2,178,981 | 2,134,519 | 2,706,469 |
| Total | \$ 11,681,979 | \$ 12,372,488 | \$ 48,382,540 | \$ 50,203,981 | \$ 60,064,519 | \$ 62,576,469 |

Economic Factors and Future Budgets

Principal factors influencing the City's 2024 budget include property tax increase due to utilizing banked capacity and moderate increase in sales tax revenues, as well as new fines and forfeitures revenue from automated school zone tickets.

The City Council adopted the 2024 budget in late December of 2023. Our budget reflects the goals of the Mayor and City Council. The 2024 budget reveals that expenditures slightly exceed revenues, leading to a depletion of the General Fund's starting balance. City leadership is committed to minimizing expenditures and focusing only on essential items to maintain the community's expected services, while simultaneously devising a plan to restore the city's long-term fiscal health. The 2024 Adopted Budget includes these initiatives:

- \$3,300,000 for the Phase 14 WL Replacement (2024)
- \$3,015,800 for the Nutrient Removal Project
- \$2,005,000 for the Phase 11 Sewer Replacement (2024)
- \$1,425,000 for the 2024 Overlay Program

- \$1,377,000 for the Phase 4 Storm Maintenance Project (2024)
- \$1,290,000 to fund the Hwy 99 Revitalization Stage 3
- \$1,290,000 to fund the Hwy 99 Revitalization Stage 4
- \$948,712 to fund the 76th Ave. W @ 220th St. SW Improvements
- \$904,740 to fund the WWTP Primary Clarifier 2 Rehab
- \$850,000 for the Yost and Seaview Reservoirs Repairs & Upgrades
- \$789,553 to fund the Main St. Overlay from 6th Ave. to 8th Ave
- \$753,950 for the Carbon Recovery Project (Close-out/Hauling)
- \$660,000 for the Bond-Funded Deferred Maintenance Projects
- \$594,390 for the Perrinville Creek Basin Analysis Update
- \$522,000 to fund the Cured in Place Pipe Sewer Rehab Phase 4 (2024)
- \$475,000 for the 2024 Vehicle Replacements
- \$453,370 to fund the Gasification Bypass
- \$426,000 for the Phase 15 WL Replacement (2025)
- \$376,975 for the VFD Upgrades/Replacements
- \$363,000 for the Phase 12 Sewer Replacement (2025)
- \$350,000 for the Storm and Surface Water Comprehensive Plan Update
- \$324,000 for the Phase 5 Storm Maintenance Project (2025)
- \$315,000 to fund the 2024 SD Overlays
- \$300,000 to fund the Edmonds Rescue Plan Fund - Household Support Grants
- \$275,000 for the Lower Perrinville Creek Restoration Project
- \$271,300 for the Mathay Ballinger Upgrade Completion
- \$250,000 for the Yost Park / Shell Creek Study
- \$236,085 for the 2024 Transportation Plan Update
- \$226,185 for the Asset Criticality Ranking and Condition Assessment
- \$225,000 for the 2024 Waterline Replacement Overlays
- \$200,000 for the Sanitary Sewer Model Update
- \$200,000 for the Ballinger Park ILA with MLT

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. For questions about this report, please contact the Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020.

City of Edmonds
Statement of Net Position
December 31, 2023

| | Primary Government | | | Edmonds Public Facilities District |
|---|-------------------------|--------------------------|----------------|------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash & equity in pooled investments | \$ 12,940,747 | \$ 13,169,028 | \$ 26,109,775 | \$ 167,702 |
| Deposits with trustees | 9,735 | - | 9,735 | - |
| Investments | 19,067,370 | 17,067,790 | 36,135,160 | - |
| Taxes receivable | 247,000 | - | 247,000 | - |
| Customer accounts | 695,596 | 4,913,791 | 5,609,387 | 56,336 |
| Leases receivable | 166,770 | - | 166,770 | 105,938 |
| Court receivable | 135,055 | - | 135,055 | - |
| Other receivable | - | - | - | 80,683 |
| Interest on investments | 238,829 | - | 238,829 | - |
| Due from other governments | 5,852,146 | 1,513,699 | 7,365,845 | 254,175 |
| Due from component unit | 415,350 | - | 415,350 | - |
| Inventory of materials & supplies | 116,278 | 294,267 | 410,545 | 12,756 |
| Prepayments | - | - | - | 124,226 |
| Total current assets | 39,884,876 | 36,958,575 | 76,843,451 | 801,816 |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | 3,048,516 | 3,279,631 | 6,328,147 | 698,879 |
| Board designated investments in future capital | - | - | - | 500,000 |
| Opioid Restricted Receivable | 1,152,208 | - | 1,152,208 | - |
| Leases receivable - long-term | 123,909 | - | 123,909 | 621,026 |
| Due from component unit - long-term | 3,182,697 | - | 3,182,697 | - |
| Restricted net pension asset | 10,545,906 | 1,084,345 | 11,630,251 | 406,370 |
| Investment in joint venture | 1,388,653 | - | 1,388,653 | - |
| Depreciable capital assets (net) | 77,686,568 | 96,302,210 | 173,988,778 | 6,200,144 |
| Non Depreciable capital assets | 25,134,959 | 36,444,735 | 61,579,694 | 3,542,243 |
| Total noncurrent assets | 122,263,416 | 137,110,921 | 259,374,337 | 11,968,662 |
| Total assets | 162,148,292 | 174,069,496 | 336,217,788 | 12,770,478 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources - Debt refunding | 25,856 | 10,440 | 36,296 | - |
| Deferred outflows of resources - Pension | 7,242,571 | 882,307 | 8,124,878 | 340,009 |
| Total deferred outflows of resources | 7,268,427 | 892,747 | 8,161,174 | 340,009 |
| Total assets and deferred outflows of resources | 169,416,719 | 174,962,243 | 344,378,962 | 13,110,487 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 2,913,943 | 886,791 | 3,800,734 | 193,288 |
| Accrued wages | 1,627,846 | 293,003 | 1,920,849 | 116,351 |
| Internal balances | (281,772) | 281,772 | - | - |
| Due to other governmental units | - | 632,482 | 632,482 | - |
| Other current liabilities | 259,839 | 1,004,052 | 1,263,891 | - |
| Accrued bond interest payable | 28,099 | 142,186 | 170,285 | 4,634 |
| Deposits payable | - | 8,048 | 8,048 | 110,979 |
| Total other post employment liability | 364,032 | - | 364,032 | - |
| Due within one year | 1,879,902 | 2,221,335 | 4,101,237 | 497,289 |
| Unearned Revenue | 6,863,666 | - | 6,863,666 | 453,802 |
| Total current liabilities | 13,655,555 | 5,469,669 | 19,125,224 | 1,376,343 |
| Noncurrent liabilities: | | | | |
| Pension liabilities | 2,673,869 | 475,615 | 3,149,484 | 174,816 |
| Total other post employment liability | 5,643,992 | - | 5,643,992 | - |
| Due in more than one year | 14,409,611 | 47,912,655 | 62,322,266 | 4,683,416 |
| Deferred Lease Revenue | - | - | - | - |
| Total noncurrent liabilities | 22,727,472 | 48,388,270 | 71,115,742 | 4,858,232 |
| Total liabilities | 36,383,027 | 53,857,939 | 90,240,966 | 6,234,575 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources - Leases | 292,045 | 1,093 | 293,138 | 726,964 |
| Deferred inflows of resources - Debt refunding | 43,375 | 150,501 | 193,876 | - |
| Deferred inflows of resources - Pension | 4,679,767 | 724,822 | 5,404,589 | 352,256 |
| Total deferred inflows of resources | 5,015,187 | 876,416 | 5,891,603 | 1,079,220 |
| Total liabilities and deferred inflows of resources | 41,398,214 | 54,734,355 | 96,132,569 | 7,313,795 |
| NET POSITION | | | | |
| Net investment in capital assets | 90,900,016 | 81,713,766 | 172,613,782 | 4,607,434 |
| Restricted for: | | | | |
| Customer Deposits | - | 8,048 | 8,048 | - |
| Debt Service | - | 3,279,630 | 3,279,630 | 1,359,424 |
| Public Safety | 40,843 | - | 40,843 | - |
| Transportation | 2,739,509 | - | 2,739,509 | - |
| Economic Environment | 225,861 | - | 225,861 | - |
| Social Services | 309,127 | - | 309,127 | - |
| Culture and Recreation | 9,386,347 | - | 9,386,347 | - |
| Other | 92,800 | - | 92,800 | - |
| Pensions | 10,545,906 | 1,084,345 | 11,630,251 | - |
| Unrestricted | 13,778,096 | 34,142,099 | 47,920,195 | (170,166) |
| Total net position | \$128,018,505 | \$ 120,227,888 | \$ 248,246,393 | \$ 5,796,692 |

The notes to financial statements are an integral part of this statement.

City of Edmonds
Statement of Activities
For the Year Ended December 31, 2023

Page 1 of 2

| Functions/Programs | Expenses | Charges for Services | Program Revenues | |
|------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 16,193,311 | \$ 3,701,722 | \$ 77,198 | \$ 321,184 |
| Public safety | 32,514,628 | 4,229,913 | 319,351 | - |
| Utilities and environment | 322,549 | - | 3,829 | - |
| Transportation | 6,470,925 | 394,978 | 143,275 | 8,659,953 |
| Economic environment | 2,713,945 | 1,764,114 | 2,877,922 | - |
| Mental and physical health | 86,707 | 221,102 | - | - |
| Culture and recreation | 9,832,430 | 1,083,353 | 576,073 | 763,867 |
| Interest on long-term debt | 247,965 | - | - | - |
| Total governmental activities | 68,382,460 | 11,395,182 | 3,997,648 | 9,745,004 |
| Business-type activities: | | | | |
| Water Utility | 8,232,014 | 11,047,634 | - | 201,336 |
| Storm Utility | 5,719,800 | 6,843,754 | 35,010 | 316,627 |
| Sewer Utility | 15,585,500 | 15,215,475 | - | 411,218 |
| Total business-type activities | 29,537,314 | 33,106,863 | 35,010 | 929,181 |
| Total primary government | \$ 97,919,774 | \$ 44,502,045 | \$ 4,032,658 | \$ 10,674,185 |
| Component Unit | | | | |
| Edmonds Public Facilities District | 4,026,227 | 2,921,286 | 1,264,904 | 385,783 |
| Total component unit | \$ 4,026,227 | \$ 2,921,286 | \$ 1,264,904 | \$ 385,783 |

General revenues
 Property taxes
 Sales taxes
 Interfund utility taxes
 Utility tax
 Excise Taxes
 Interest and investment earnings
 Miscellaneous
 Gains on disposition of assets
Transfers
 Total General revenues and Transfers
 Change in net position
Net position - beginning
Net position - ending

The notes to financial statements are an integral part of this statement.

Page 2 of 2

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|----------------|-----------------|---------------------|
| Primary Government | | | Component Unit |
| Governmental | Business-type | | Edmonds Public |
| Activities | Activities | Total | Facilities District |
| \$ (12,093,207) | \$ - | \$ (12,093,207) | \$ - |
| (27,965,364) | - | (27,965,364) | - |
| (318,720) | - | (318,720) | - |
| 2,727,281 | - | 2,727,281 | - |
| 1,928,091 | - | 1,928,091 | - |
| 134,395 | - | 134,395 | - |
| (7,409,137) | - | (7,409,137) | - |
| (247,965) | - | (247,965) | - |
| (43,244,626) | - | (43,244,626) | - |
| - | 3,016,956 | 3,016,956 | - |
| - | 1,475,591 | 1,475,591 | - |
| - | 41,193 | 41,193 | - |
| - | 4,533,740 | 4,533,740 | - |
| (43,244,626) | 4,533,740 | (38,710,886) | - |
| | | | 545,746 |
| | | | 545,746 |
| 14,933,195 | - | 14,933,195 | - |
| 13,038,049 | - | 13,038,049 | - |
| 2,633,692 | - | 2,633,692 | - |
| 4,308,787 | - | 4,308,787 | - |
| 5,399,132 | - | 5,399,132 | - |
| 2,719,341 | 1,367,456 | 4,086,797 | 63,670 |
| 1,232,109 | 71,037 | 1,303,146 | - |
| 681,894 | 455,034 | 1,136,928 | - |
| 3,031 | (3,031) | - | - |
| 44,949,230 | 1,890,496 | 46,839,726 | 63,670 |
| 1,704,604 | 6,424,236 | 8,128,840 | 609,416 |
| 126,313,901 | 113,803,652 | 240,117,553 | 5,187,276 |
| \$ 128,018,505 | \$ 120,227,888 | \$ 248,246,393 | \$ 5,796,692 |

City of Edmonds
Balance Sheet
Governmental Funds
December 31, 2023

| | General Fund | Combined Street Construction Improvement Fund | Edmonds Rescue Plan Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|----------------------|---|-----------------------------|-------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,427,314 | \$ (429,864) | \$ 2,975,562 | \$ 5,453,425 | \$ 10,426,437 |
| Investments | 3,144,419 | 1,492,905 | 3,926,786 | 7,185,179 | 15,749,289 |
| Deposits with trustee | 9,735 | - | - | - | 9,735 |
| Property taxes receivable | 247,000 | - | - | - | 247,000 |
| Customer accounts | 694,226 | - | - | 900 | 695,126 |
| Interest on investments | 47,932 | 33,471 | - | 157,426 | 238,829 |
| Lease Receivable | 290,679 | - | - | - | 290,679 |
| Court Receivable | 135,055 | - | - | - | 135,055 |
| Interfund receivable | 281,771 | - | - | - | 281,771 |
| Due from other governments | 2,821,354 | 2,845,789 | - | 183,041 | 5,850,184 |
| Due from component unit | 3,597,697 | - | - | 350 | 3,598,047 |
| Restricted cash and investments | 3,048,516 | - | - | - | 3,048,516 |
| Restricted Opioid Settlement Receivable | 1,152,208 | - | - | - | 1,152,208 |
| Total assets | <u>\$ 17,897,906</u> | <u>\$ 3,942,301</u> | <u>\$ 6,902,348</u> | <u>\$ 12,980,321</u> | <u>\$ 41,722,876</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,066,254 | \$ 1,207,491 | \$ 1,750 | \$ 509,125 | \$ 2,784,620 |
| Wages and benefits payable | 1,480,092 | - | - | 84,482 | 1,564,574 |
| Other current liabilities | 193,551 | - | - | 66,288 | 259,839 |
| Unearned revenues | <u>3,621,241</u> | <u>-</u> | <u>6,863,666</u> | <u>-</u> | <u>10,484,907</u> |
| Total liabilities | <u>6,361,138</u> | <u>1,207,491</u> | <u>6,865,416</u> | <u>659,895</u> | <u>15,093,940</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows of resources - leases | 292,045 | - | - | - | 292,045 |
| Deferred inflows of resources - property taxes | 226,656 | - | - | - | 226,656 |
| Deferred inflows of resources - court receivable | 112,128 | - | - | - | 112,128 |
| Deferred inflows of resources - opioid settlement | <u>1,152,208</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,152,208</u> |
| Total deferred inflow of resources | <u>1,783,037</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,783,037</u> |
| Total liabilities and deferred inflows of resources | <u>8,144,175</u> | <u>1,207,491</u> | <u>6,865,416</u> | <u>659,895</u> | <u>16,876,977</u> |
| FUND BALANCES (DEFICITS) | | | | | |
| Restricted | 74,119 | 2,734,810 | 36,932 | 9,948,627 | 12,794,488 |
| Committed | 1,053,595 | - | - | 2,371,799 | 3,425,394 |
| Assigned | - | - | - | - | - |
| Unassigned | <u>8,626,017</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,626,017</u> |
| Total fund balances (deficits) | <u>9,753,731</u> | <u>2,734,810</u> | <u>36,932</u> | <u>12,320,426</u> | <u>24,845,899</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 17,897,906</u> | <u>\$ 3,942,301</u> | <u>\$ 6,902,348</u> | <u>\$ 12,980,321</u> | <u>\$ 41,722,876</u> |

The notes to financial statements are an integral part of this statement.

City Of Edmonds, Washington
Reconciliation Of The Balance Sheet To The Statement Of Net Position
Governmental Funds
December 31, 2023

Total governmental fund balances as reported on this statement \$ 24,845,899

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. These assets consist of:

| | | |
|---|---------------------|-------------|
| Land | \$ 18,185,325 | |
| Construction in progress (\$1,102,202 attributable to internal service funds) | <u>6,949,633</u> | |
| Subtotal: Non-depreciable capital assets | 25,134,958 | |
| Investment in joint venture | 1,388,653 | |
| Buildings | 25,479,727 | |
| Improvements other than buildings | 43,317,798 | |
| Infrastructure | 76,270,132 | |
| Machinery and equipment - general government | 12,708,014 | |
| Intangible Assets | 55,500 | |
| Right-to use lease assets | 567,411 | |
| Right-to use subscription assets | 120,399 | |
| Less: Accumulated depreciation | <u>(80,832,413)</u> | |
| Subtotal: Depreciable capital assets | 77,686,568 | |
| | | 104,210,179 |

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

| | | |
|--|------------------|------------|
| Net Pension Asset (\$241,611 attributable to internal service funds) | 10,545,906 | |
| Deferred outflow of resources - bond refunding | 25,856 | |
| Deferred outflow of resources - pension (\$195,664 attributable to internal service funds) | 7,242,571 | |
| Deferred inflow of resources - leases | 292,045 | |
| Deferred inflow of resources - property tax | 226,656 | |
| Deferred inflow of resources - court receivable | 112,128 | |
| Deferred inflow of resources - opioid settlement | <u>1,152,208</u> | |
| | | 19,597,370 |

Internal service funds are used by management to charge the cost of equipment maintenance to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position. Capital assets of \$4,915,246 are included in the capital asset adjustment above. The construction work in progress, compensated absence liability, and the pension amounts are included in the appropriate categories with a note.

5,758,508

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|---|------------------|--------------|
| General obligation bonds | (12,160,083) | |
| Compensated absences (\$172,785 attributable to internal service funds) | (3,306,502) | |
| Lease liability (\$2,242 attributable to internal service funds) | (374,774) | |
| SBITA Liability (\$3,994 attributable to internal service funds) | (61,175) | |
| Governmental Notes - direct borrowing | <u>(386,979)</u> | |
| Subtotal: Long-term debt payable | (16,289,513) | |
| Accrued interest payable | (28,099) | |
| Total pension liabilities (\$105,975 attributable to internal service funds) | (2,673,869) | |
| Total other post employment benefit liability | (6,008,024) | |
| Deferred inflow of resources - leases | (292,045) | |
| Deferred inflow of resources - bond refunding | (43,375) | |
| Deferred inflow of resources - pension (\$156,839 attributable to internal service funds) | (4,679,767) | |
| Unearned revenues reported in the Balance Sheet - Governmental Funds are not reported in the government-wide Statement of Net Position (Note 1) | 3,621,241 | |
| | | (26,393,451) |

Net position of government activities as reported on the statement of net position

\$ 128,018,505

The notes to the financial statements are an integral part of this statement.

City of Edmonds
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

| | General Fund | Combined Street Construction Improvement Fund | Edmonds Rescue Plan Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---------------|---|-----------------------------|-------------------------|-----------------------------|
| REVENUES | | | | | |
| Taxes | \$ 35,005,533 | \$ - | \$ - | \$ 3,631,288 | \$ 38,636,821 |
| Licenses and permits | 2,161,139 | - | - | 110,373 | 2,271,512 |
| Intergovernmental | 2,778,265 | 8,859,036 | 1,334,810 | 1,866,566 | 14,838,677 |
| Charges for services | 3,993,576 | 323,573 | - | 352,677 | 4,669,826 |
| Fines and forfeitures | 194,369 | - | - | - | 194,369 |
| Investment earnings | 813,683 | 209,877 | - | 1,076,915 | 2,100,475 |
| Contributions | 3,829 | - | - | - | 3,829 |
| Miscellaneous | 821,062 | - | (27,656) | 346,226 | 1,139,632 |
| Total revenues | 45,771,456 | 9,392,486 | 1,307,154 | 7,384,045 | 63,855,141 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 12,964,832 | - | 1,275,240 | - | 14,240,072 |
| Public safety | 30,963,769 | - | - | 32,485 | 30,996,254 |
| Utilities and environment | - | - | - | 287,841 | 287,841 |
| Transportation | - | 1,749,621 | - | 3,777,595 | 5,527,216 |
| Economic environment | 2,910,344 | - | 59,570 | 87,523 | 3,057,437 |
| Mental and physical health | 86,707 | - | - | - | 86,707 |
| Culture and recreation | 6,094,214 | - | - | 979,106 | 7,073,320 |
| Debt service: | | | | | |
| Principal | 331,633 | 54,058 | - | 395,341 | 781,032 |
| Interest | 135,132 | 869 | - | 277,815 | 413,816 |
| Capital outlay: | | | | | |
| General government | 1,067,878 | - | - | - | 1,067,878 |
| Public safety | 306,149 | - | - | - | 306,149 |
| Transportation | 548,138 | 7,292,633 | - | 814,202 | 8,654,973 |
| Culture and recreation | 211,000 | - | - | 2,685,552 | 2,896,552 |
| Total expenditures | 55,619,796 | 9,097,181 | 1,334,810 | 9,337,460 | 75,389,247 |
| Excess (deficiency) of revenues over expenditures | (9,848,340) | 295,305 | (27,656) | (1,953,415) | (11,534,106) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Lease Contracts | 159,242 | - | - | 6,137 | 165,379 |
| Proceeds from sale of capital assets | - | - | - | 3,400 | 3,400 |
| Insurance Recoveries | 557,480 | - | - | - | 557,480 |
| Transfers in | 72,066 | - | - | 897,017 | 969,083 |
| Transfers out | (520,757) | - | - | (536,052) | (1,056,809) |
| Total other financing sources (uses) | 268,031 | - | - | 370,502 | 638,533 |
| Net change in fund balances | (9,580,309) | 295,305 | (27,656) | (1,582,913) | (10,895,573) |
| Fund balances - beginning | 19,334,040 | 2,439,505 | 64,588 | 13,903,339 | 35,741,472 |
| Fund balances - ending | \$ 9,753,731 | \$ 2,734,810 | \$ 36,932 | \$ 12,320,426 | \$ 24,845,899 |

The notes to financial statements are an integral part of this statement.

City Of Edmonds, Washington
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In
Fund Balances Of Government Funds To The Statement Of Activities
For The Year Ended December 31, 2023

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance \$ (10,895,573)

Amount reported as change in net position in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is exceeded by depreciation and amortization in the current period.

| | | |
|---|----------------|------------|
| Capital outlays | \$ 13,248,543 | |
| Current year depreciation | (3,534,416) | |
| Adjustment in investment in joint venture | <u>369,337</u> | |
| | | 10,083,464 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | | |
|---|-----------------|---------|
| Deferred inflows of resources - property taxes | 40,775 | |
| Deferred inflows of resources - opioid settlement | 543,544 | |
| PFD Debt Service | (111,599) | |
| Other unearned revenue | (2,874) | |
| LEOFF 2 Pensions | 248,205 | |
| Court receivable | <u>(49,494)</u> | |
| | | 668,556 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

| | | |
|--------------------------------|----------------|---------|
| Amortization of Bond Refunding | 52,688 | |
| Lease contract | (159,242) | |
| Long-term debt repayments | 690,509 | |
| Lease payments | <u>140,065</u> | |
| | | 724,021 |

Internal service funds are used by management to charge the costs of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. 1,413,097

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|--------------------------------------|------------------|-----------|
| Accrued Interest Expense | 1,821 | |
| Loss on Sale of Assets | (1,954,123) | |
| Interest Expense for the PFD | 56,914 | |
| Total pension obligation | 2,120,150 | |
| Accrued compensating absence expense | <u>(513,723)</u> | |
| | | (288,961) |

| | |
|---|----------------------------|
| Change in net position on the Statement of Activities | <u><u>\$ 1,704,604</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

City of Edmonds
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2023

| | Budgeted Amounts | | | Variance with |
|---|------------------|---------------|---------------|----------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 36,051,302 | \$ 36,686,302 | \$ 35,005,533 | \$ (1,680,769) |
| Licenses and permits | 2,523,350 | 2,619,350 | 2,161,139 | (458,211) |
| Intergovernmental | 2,630,135 | 4,572,104 | 2,778,265 | (1,793,839) |
| Charges for services | 6,657,444 | 6,757,444 | 3,993,576 | (2,763,868) |
| Fines and forfeitures | 352,350 | 402,350 | 194,369 | (207,981) |
| Investment earnings | 373,940 | 373,940 | 813,683 | 439,743 |
| Contributions | - | - | 3,829 | 3,829 |
| Miscellaneous | 1,420,750 | 564,750 | 821,062 | 256,312 |
| Total revenues | 50,009,271 | 51,976,240 | 45,771,456 | (6,204,784) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 16,315,979 | 19,453,005 | 12,964,832 | 6,488,173 |
| Public safety | 29,670,892 | 31,464,648 | 30,963,769 | 500,879 |
| Transportation | 5,000 | 5,000 | - | 5,000 |
| Economic environment | 3,662,443 | 4,095,575 | 2,910,344 | 1,185,231 |
| Mental and physical health | 80,985 | 80,985 | 86,707 | (5,722) |
| Culture and recreation | 6,317,939 | 6,891,584 | 6,094,214 | 797,370 |
| Total current | 56,053,238 | 61,990,797 | 53,019,866 | 8,970,931 |
| Debt service: | | | | |
| Principal | 191,620 | 241,620 | 331,633 | (90,013) |
| Interest | 131,970 | 131,970 | 135,132 | (3,162) |
| Total debt service | 323,590 | 373,590 | 466,765 | (93,175) |
| Capital outlay: | | | | |
| General government | - | 1,835,565 | 1,067,878 | 767,687 |
| Public safety | - | - | 306,149 | (306,149) |
| Transportation | - | - | 548,138 | (548,138) |
| Culture and recreation | 90,000 | (758) | 211,000 | (211,758) |
| Total capital outlay | 90,000 | 1,834,807 | 2,133,165 | (298,358) |
| Total expenditures | 56,466,828 | 64,199,194 | 55,619,796 | 8,579,398 |
| Excess (deficiency) of revenues over expenditures | (6,457,557) | (12,222,954) | (9,848,340) | 2,374,614 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease Contracts | - | - | 159,242 | 159,242 |
| Insurance Recoveries | - | 500,000 | 557,480 | 57,480 |
| Transfers in | 225,000 | 772,592 | 72,066 | (700,526) |
| Transfers out | (863,000) | (1,457,740) | (520,757) | 936,983 |
| Total other financing source (uses) | (638,000) | (185,148) | 268,031 | 453,179 |
| Net change in fund balances | (7,095,557) | (12,408,102) | (9,580,309) | 2,827,793 |
| Fund balances - beginning | 20,796,004 | 18,684,278 | 19,334,040 | 649,762 |
| Fund balances - ending | \$ 13,700,447 | \$ 6,276,176 | \$ 9,753,731 | \$ 3,477,555 |

The notes to the financial statements are an integral part of this statement.

City of Edmonds
STREET CONSTRUCTION FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 7,071,025 | \$ 11,098,300 | \$ 8,859,036 | \$ (2,239,264) |
| Charges for services | 1,000,000 | 1,000,000 | 323,573 | (676,427) |
| Investment earnings | 64,390 | 64,390 | 209,877 | 145,487 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>8,135,415</u> | <u>12,162,690</u> | <u>9,392,486</u> | <u>(2,770,204)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | <u>548,215</u> | <u>1,925,950</u> | <u>1,749,621</u> | <u>176,329</u> |
| Total current | <u>548,215</u> | <u>1,925,950</u> | <u>1,749,621</u> | <u>176,329</u> |
| Debt service: | | | | |
| Principal | <u>54,070</u> | <u>54,070</u> | <u>54,058</u> | <u>12</u> |
| Interest | <u>880</u> | <u>880</u> | <u>869</u> | <u>11</u> |
| Total debt service | <u>54,950</u> | <u>54,950</u> | <u>54,927</u> | <u>23</u> |
| Capital outlay: | | | | |
| Transportation | <u>6,439,145</u> | <u>9,120,145</u> | <u>7,292,633</u> | <u>1,827,512</u> |
| Total capital outlay | <u>6,439,145</u> | <u>9,120,145</u> | <u>7,292,633</u> | <u>1,827,512</u> |
| Total expenditures | <u>7,042,310</u> | <u>11,101,045</u> | <u>9,097,181</u> | <u>2,003,864</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,093,105</u> | <u>1,061,645</u> | <u>295,305</u> | <u>(766,340)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>172,650</u> | <u>204,110</u> | <u>-</u> | <u>(204,110)</u> |
| Transfers out | <u>(172,650)</u> | <u>(172,650)</u> | <u>-</u> | <u>172,650</u> |
| Total other financing source (uses) | <u>-</u> | <u>31,460</u> | <u>-</u> | <u>(31,460)</u> |
| Net change in fund balances | <u>1,093,105</u> | <u>1,093,105</u> | <u>295,305</u> | <u>(797,800)</u> |
| Fund balances - beginning | <u>2,669,390</u> | <u>2,439,505</u> | <u>2,439,505</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 3,762,495</u> | <u>\$ 3,532,610</u> | <u>\$ 2,734,810</u> | <u>\$ (797,800)</u> |

The notes to the financial statements are an integral part of this statement.

City of Edmonds
EDMONDS RESCUE PLAN FUND
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 1,249,000 | \$ 1,879,000 | \$ 1,334,810 | \$ (544,190) |
| Miscellaneous | - | - | (27,656) | (27,656) |
| Total revenues | <u>1,249,000</u> | <u>1,879,000</u> | <u>1,307,154</u> | <u>(571,846)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 1,159,000 | 1,789,000 | 1,275,240 | 513,760 |
| Community Services | 90,000 | 90,000 | 59,570 | 30,430 |
| Total current | <u>1,249,000</u> | <u>1,879,000</u> | <u>1,334,810</u> | <u>544,190</u> |
| Total expenditures | <u>1,249,000</u> | <u>1,879,000</u> | <u>1,334,810</u> | <u>544,190</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>(27,656)</u> | <u>(27,656)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | (27,656) | (27,656) |
| Fund balances - beginning | 44,888 | 64,588 | 64,588 | - |
| Fund balances - ending | <u>\$ 44,888</u> | <u>\$ 64,588</u> | <u>\$ 36,932</u> | <u>\$ (27,656)</u> |

The notes to the financial statements are an integral part of this statement.

City of Edmonds
Statement of Net Position
Proprietary Funds
December 31, 2023

| | 421/422/423 Combined Utility Funds | Governmental Activities Internal Service Funds |
|---|--|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 13,169,028 | \$ 2,514,311 |
| Investments | 17,067,790 | 3,318,082 |
| Customer accounts | 4,913,791 | 470 |
| Due from other governments | 1,513,699 | 1,963 |
| Inventory | 294,267 | 116,278 |
| Total current assets | <u>36,958,575</u> | <u>5,951,104</u> |
| Noncurrent assets: | | |
| Restricted cash and investment | 3,279,631 | - |
| Pension Assets | 1,084,345 | 241,611 |
| Land | 1,257,107 | - |
| Property, plant and equipment (net) | 96,244,484 | 4,861,159 |
| Construction in progress | 35,187,628 | 1,102,202 |
| Intangible assets (net) | 57,726 | 54,087 |
| Total noncurrent assets | <u>137,110,921</u> | <u>6,259,059</u> |
| Total assets | <u>174,069,496</u> | <u>12,210,163</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources - refunding | 10,440 | - |
| Deferred outflows of resources - pension | 882,307 | 195,664 |
| Total deferred outflows of resources | <u>892,747</u> | <u>195,664</u> |
| Total assets and deferred outflows of resources | <u>174,962,243</u> | <u>12,405,827</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 886,791 | 129,323 |
| Wages and benefits payable | 293,003 | 63,272 |
| Interfund payables | 281,772 | - |
| Due to other governmental units | 632,482 | - |
| Other current liabilities | 1,012,100 | - |
| Interest payable | 142,186 | - |
| Compensated absences - current | 169,143 | 33,984 |
| SBITA Payable - current | - | 3,994 |
| Leases - current | 3,375 | 699 |
| Loans payable - current | 434,319 | - |
| Revenue bonds payable-current | 882,927 | - |
| G.O. bonds payable - current | 731,571 | - |
| Total current liabilities | <u>5,469,669</u> | <u>231,272</u> |
| Noncurrent liabilities: | | |
| Pension liabilities | 475,615 | 105,975 |
| Compensated absences - long-term | 266,403 | 138,801 |
| Leases - long-term | 7,953 | 1,543 |
| Loans payable - long-term | 1,313,223 | - |
| Revenue bonds payable - long-term | 40,324,078 | - |
| G.O. bonds payable - long-term | 6,000,998 | - |
| Total noncurrent liabilities | <u>48,388,270</u> | <u>246,319</u> |
| Total liabilities | <u>53,857,939</u> | <u>477,591</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources - leases | 1,093 | - |
| Deferred inflows of resources - refunding | 150,501 | - |
| Deferred inflow of resources - pension | 724,822 | 156,839 |
| Total deferred inflows of resources | <u>876,416</u> | <u>156,839</u> |
| Total liabilities and deferred inflows of resources | <u>54,734,355</u> | <u>634,430</u> |
| NET POSITION | | |
| Net investment in capital assets | 81,713,766 | 6,017,448 |
| Restricted for: | | |
| Customer Deposits | 8,048 | - |
| Debt Service | 3,279,630 | - |
| Pensions | 1,084,345 | 241,611 |
| Unrestricted | 34,142,099 | 5,512,338 |
| Total net position | <u>\$ 120,227,888</u> | <u>\$ 11,771,397</u> |

The notes to financial statements are an integral part of this statement.

City of Edmonds
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

| | Business-type Activities 421/422/423 Combined Utility Funds | Governmental Activities Internal Service Funds |
|--|---|---|
| OPERATING REVENUES | | |
| Charges for services | \$32,955,664 | \$3,721,816 |
| Other operating revenue | 151,199 | 2,497 |
| Total operating revenues | <u>33,106,863</u> | <u>3,724,313</u> |
| OPERATING EXPENSES | | |
| Personnel services | 8,838,978 | 1,239,994 |
| Operations and maintenance | 12,929,013 | 1,367,355 |
| Professional services | 1,269,205 | 44,656 |
| Insurance | 621,129 | 52,373 |
| Depreciation | 3,558,662 | 658,836 |
| Total operating expenses | <u>27,216,987</u> | <u>3,363,214</u> |
| Operating income (loss) | <u>5,889,876</u> | <u>361,099</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Intergovernmental | 35,010 | 398,382 |
| Investment earnings | 1,367,456 | 440,199 |
| Judgments and settlements | 526,070 | 98,206 |
| Gain (loss) on sale of capital assets | (707,859) | 24,635 |
| Interest expense | <u>(1,612,467)</u> | <u>(184)</u> |
| Total nonoperating revenues (expenses) | <u>(391,790)</u> | <u>961,238</u> |
| Income (loss) before contributions and transfers | 5,498,086 | 1,322,337 |
| Capital grants and contributions | 929,181 | - |
| Transfers In | - | 90,757 |
| Transfers Out | <u>(3,031)</u> | <u>-</u> |
| Change in net position | 6,424,236 | 1,413,094 |
| Total net position - beginning | 113,803,652 | 10,358,303 |
| Total net position - ending | <u>\$ 120,227,888</u> | <u>\$ 11,771,397</u> |

The notes to financial statements are an integral part of this statement.

City of Edmonds
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

| | Business-type Activities 421/422/423 Combined Utility Funds | Governmental Activities Internal Service Funds |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 33,874,787 | \$ 3,655,702 |
| Payments to employees | (9,195,688) | (1,214,824) |
| Payments to suppliers | (15,549,419) | (1,526,074) |
| Net cash provided (used) by operating activities | <u>9,129,680</u> | <u>914,804</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Grant income | 35,010 | - |
| Proceeds of refunding debt | - | - |
| Net cash provided (used) by noncapital financing activities | <u>35,010</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Gain from the sale of capital assets | - | 59,853 |
| Judgments and settlements | 526,071 | 98,206 |
| Acquisition and construction of capital assets | (5,590,071) | (2,024,909) |
| Capital grants and contributions | 929,181 | 398,382 |
| Operations and maintenance | - | - |
| Principal payments on debt | (1,980,938) | - |
| Interest payments on debt | (1,632,333) | (184) |
| Transfers to other funds | (3,031) | - |
| Transfer in from other funds | - | 90,757 |
| Net cash provided (used) by capital and related financing activities | <u>(7,751,121)</u> | <u>(1,377,895)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 1,367,458 | 462,848 |
| Purchase of investments | 3,012,421 | 1,838,818 |
| Net cash provided (used) by investing activities | <u>4,379,879</u> | <u>2,301,666</u> |
| Net increase (decrease) in cash and cash equivalents | 5,793,448 | 1,838,575 |
| Balances - beginning of year | 10,655,211 | 675,736 |
| Balances - end of the year | <u>\$ 16,448,659</u> | <u>\$ 2,514,311</u> |

The notes to financial statements are an integral part of this statement.

City of Edmonds
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

| | Business-type Activities 421/422/423 Combined Utility Funds | Governmental Activities Internal Service Funds |
|---|---|---|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating Income | \$ 5,889,874 | \$ 361,099 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 3,558,662 | 658,836 |
| Changes in assets and liabilities: | | |
| Customer Receivables | 767,925 | (68,611) |
| Accounts Payable - Supplier | (730,071) | (61,690) |
| Payroll Liabilities | (356,710) | 25,170 |
| Net cash provided (used) by operating activities | <u>\$ 9,129,680</u> | <u>\$ 914,804</u> |

The notes to financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Edmonds have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Edmonds was incorporated in 1890 and operates under the laws of the state of Washington applicable to cities. Edmonds operates with a Council/Mayor form of government. Both the Mayor and Council are elected to four-year terms. The City provides a full range of general government services including public safety; streets; parks and recreation; human services, planning and zoning; permits and inspection; general administration; and water, sewer, storm water and wastewater treatment utilities.

As required by Generally Accepted Accounting Principles the financial statements present the City of Edmonds, the primary government, and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

Discretely Presented Component Unit

On April 24, 2001 the Edmonds City Council formed the Edmonds Public Facilities District (PFD) via Ordinance 3358, under the authority provided by RCW 35.57. The purpose of the PFD is to construct and operate a regional arts center in the City of Edmonds, defined by RCW 35.57 as a conference, convention or special events center, along with related parking. A five-member board governs the PFD and is appointed to four-year terms by the Edmonds City Council. The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts.

In 2002 the City issued Limited Tax General Obligation Bonds in the amount of \$7,015,000 for the acquisition, renovation and remodeling of a Performing Arts Center. The City transferred the proceeds of this issuance to the PFD. The City refinanced these bonds in 2012, and in 2021 refinanced the remaining \$2.585 million of these bonds. These bonds are a debt of the City and not the PFD; however, the PFD is obligated by inter-local agreement to pay the debt service over the life of the bonds.

For more information on the Edmonds Public Facility District see Note 12, Long-Term Debt. Separate financial statements can be obtained from the Edmonds Center for the Arts, c/o Lori Meagher, 410 Fourth Avenue N., Edmonds, WA 98020.

Joint Ventures

The City of Edmonds participates in two separate joint ventures:

Snohomish County 911

The City of Edmonds and other Police and Fire entities jointly operate Snohomish County 911. Snohomish County 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of Snohomish County 911 is with a 16-member Board of Directors which is specified in the Interlocal Agreement. Snohomish County 911 takes 911 calls and performs emergency dispatch services for local governmental agencies including police, fire, and medical aid.

In the event of the dissolution of Snohomish County 911, any money in the possession of

Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred shall be returned to the parties to this agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five years bears to the total of all then remaining Principals' User Fees paid during the five-year period. Before deducting the payment of all costs, expenses, and charges validly incurred, the City of Edmonds share was \$1,388,653 on December 31, 2023.

Snohomish County 911's 2023 operating budget was \$28,409,308, operating revenues received were \$29,310,607, and total operating expenditures were \$27,824,076. Complete financial statements for Snohomish County 911 can be obtained from their administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

The Alliance for Housing Affordability (AHA)

In September 2013, the City of Edmonds joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May 2014 to add the City of Arlington and in June 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). Fiscal agent duties were transferred to HASCO during fiscal year 2018. The values included in the table below were audited and updated by the new fiscal agent and may be different than what was reported in prior years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first few years of organizational start-up. The City of Edmonds equity share to date is:

| Fiscal Year Ending 6/30 | AHA's Total Fiscal Year Budget | Edmonds Share of Budget | Edmonds Share as % of Total AHA Budget |
|----------------------------|--------------------------------------|----------------------------|---|
| 2014 | \$89,849 | \$2,385 | 2.7% |
| 2015 | \$93,063 | \$2,457 | 2.6% |
| 2016 | \$93,652 | \$2,381 | 2.5% |
| 2017 | \$97,934 | \$3,518 | 3.6% |
| 2018 | \$102,586 | \$3,841 | 3.7% |
| 2019 | \$107,391 | \$4,120 | 3.8% |
| 2020 | \$112,408 | \$4,344 | 3.9% |
| 2021 | \$117,673 | \$4,368 | 3.7% |
| 2022 | \$118,200 | \$4,361 | 3.7% |
| 2023 | \$135,522 | \$4,458 | 3.3% |
| 2024 | \$157,674 | \$5,610 | 5.4% |

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 982014 or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

B. Basis of Presentation – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports three major governmental funds, the *General Fund*, the *Street Construction Fund*, and the *Edmonds Rescue Plan Fund*. The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The Street Construction Fund is used for transportation improvement projects funded by a variety of sources. The Edmonds Rescue Plan Fund is a Special Revenue Fund, created to accept and administer federal funds in accordance with the federal CARES Act guidelines and the American Rescue Plan Act (ARPA). The City also reports one major enterprise fund. The *Combined Utility Fund* accounts for all maintenance, construction, and debt service requirements associated with the City's water, sewer, and stormwater systems.

The City reports two Internal Service Funds. The *Equipment Rental Fund* accounts for the cost of maintaining the City's vehicle fleet. The *Technology Rental Fund* accounts for the cost of Information Technology equipment repair and replacement.

C. Measurement Focus, Basis of Accounting

Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes, sales taxes, natural gas taxes and Hotel/Motel excise taxes as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Utility Funds are charges to customers for sales and service. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include operating and maintenance costs; employee salaries and benefits; contracted services; insurance; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Scope of Budget

Annual appropriated budgets are adopted for the general fund and special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Budgets for the General Fund and Special Revenue Funds are adopted at the Fund level. Purely as a management tool, budgets are broken out by department, activity and expense types.

Appropriations for the General and Special Revenue funds lapse at year-end, except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

Amending the Budget

The Mayor is authorized to transfer budgeted amounts between departments or between object classes within any department. Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the Council determines that it is in the

best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by supplemental appropriations and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities, Fund Balance, Net Position

Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. The city considers all highly liquid assets, including investments in the Washington State Local Government Investment Pool, the Snohomish County Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds. For purposes of the statement of cash flows, the city considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For more information on investments, see Note 3, *Deposits and Investments*.

Receivables

Tax receivables consist of property taxes and related interest and penalties (See Note 4, *Property Taxes*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Amounts Due To/From Other Funds and Governments, Interfund Loans and Advances Receivable
Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 7, *Interfund Activity*.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories are assets that are held for internal consumption. Internal service fund inventories are expensed when purchased. No inventory is maintained in Governmental Funds. The combined utility fund inventories are expensed as consumed, using the first-in, first-out valuation method, which approximates market.

Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 12, *Long-Term Debt* and certain cash and investments have been classified as restricted assets on the Statement of Net Position in accordance with utility bond resolutions, state law, or for other purposes. When both restricted and

unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost that meets or exceeds \$5,000, and an estimated useful life in excess of one year. Infrastructure assets are capitalized when their cost meets or exceeds \$50,000, and repairs or replacements to components of the Wastewater Treatment Plant are capitalized when their cost meets or exceeds \$100,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase an asset's value, capacity, or materially extends its useful life. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land, permanent artwork, and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight-line method using varying estimated service lives for individual assets and asset classifications, depending on particular characteristics of an asset and factors surrounding its anticipated use. See Note 9 for additional information regarding capital assets.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

| <u>Asset Type</u> | <u>Est. Service Life (Years)</u> |
|-----------------------------------|---|
| Buildings | 30–50 |
| Improvements other than Buildings | 20–40 |
| Furniture and fixtures | 5–10 |
| Cars | 5–10 |
| Vans, Trucks, Trailers | 5–20 |
| Data Processing Equipment | 3–10 |
| Infrastructure | 20–100 |
| Sidewalks | 30 |
| Machinery and Equipment | 5–20 |
| Intangible Assets | 20–30 |

Leases

Lessee: The city is a lessee for noncancelable leases. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line method over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The city uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the city generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The city is a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line method. Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The city uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The city monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The city has two items that qualify for reporting in this category: 1) deferred gains on refunding and 2) pensions. Deferred gains on refunding reported in the statement of net position result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions and affects both assets and liabilities. The City's fiscal year ends on December 31, while the State's fiscal year ends on June 30. This causes the recognition periods for pension contributions to not match, resulting in the recognition of Deferred Outflows and Deferred Inflows to account for the City's pension contributions.

In addition to liabilities, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period. The City has four items that qualify for reporting in this

category: 1) unavailable property taxes recorded as receivables, 2) unavailable court fees recorded as a receivable, 3) deferred losses on refunding, and 4) pensions and other post-employment obligations, as explained above.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave, and holiday earned by police employees, according to the terms of union contracts or per RCW. Also included is compensatory time earned in lieu of overtime. All such compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements, and are payable upon termination, retirement or death. Compensated absences including payroll taxes are reported as a current liability on the balance sheet. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is estimated using the termination method provided by GASB Statement No. 16.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position related to the net pension asset, the city includes the net pension asset only.

Other Accrued Liabilities

Retainage represents amounts withheld from contractors' progress payments as a financial incentive to ensure project completion and are booked as other accrued liability. In addition to retainage, other accrued liabilities include various obligations the city must remit to the state. An example of this is the state's portion of revenue generated from concealed weapon permit fees which the city collects on behalf of the state and is required to remit periodically.

Unearned Revenues

This account includes amounts recorded as cash or receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

Fund Balance Classification

The difference between fund Assets and Deferred Outflows of Resources, minus its Liabilities and Deferred Inflows of Resources, is referred to as Net Position on the government-wide, proprietary, and fiduciary fund statements, and as Fund Balance on the governmental fund statements. The fund balance amounts for governmental funds are classified in accordance with GASB Statement No. 54, and are reported as non-spendable, restricted, committed, assigned, or unassigned.

- *Non-spendable* fund balance represents amounts that are either not in a spendable form (e.g. inventories or prepaid balances) or are legally or contractually required to remain intact.
- *Restricted* fund balances include amounts that are subject to restrictions that are legally enforceable by outside parties. This includes resources raised through enabling legislation.
- *Committed* fund balances include amounts that are limited by resolution of the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.
- *Assigned* fund balances include amounts that are limited by the Mayor or department Directors for an intended use, but are neither restricted nor committed. This type of

limitation can be imposed by the highest level of decision making within the City, but little or no formal action is required to modify or eliminate those limitations.

- *Unassigned* fund balance is the residual amount of the general fund not included in the four categories described above. Also, negative fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted fund balances are available for use, the City considers restricted fund balance to have been spent first. When committed, assigned, or unassigned fund balance amounts are available for use, the City considers committed fund balance to be spent first, assigned fund balance second, and unassigned fund balance last.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

Reporting Changes – Effective for fiscal year 2023 reporting, the City adopted the following new Standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. Effective January 1, 2023, the city adopted this statement using the facts and circumstances that existed at the beginning of the period of implementation.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments are presented in the financial statements at fair value based on quoted market prices. The City's position in the State Local Government Investment Pool is the same as the value of the pool shares. Pool investments are reported as Cash and Cash Equivalents. Interest earned on the pooled investments is allocated to individual funds based on that fund's cash balance at the end of each month. The City holds most investments to maturity. Interest earnings are recognized in the period in which they become available and measurable. Cash and equity in pooled investments are comprised of both government-type and business-type activities. The balances are comprised of the following:

| | December 31, 2023 |
|----------------------------------|----------------------|
| Deposits with US Bank | \$ 4,680,641 |
| Petty Cash/Change Funds | 4,100 |
| Local Government Investment Pool | 24,704,665 |
| Snohomish County Investment Pool | 15,981,376 |
| Certificates of Deposit | 3,048,516 |
| Treasury Obligations | 979,414 |
| US Government Agency Securities | 18,979,239 |
| Municipal Securities | 195,130 |
| | <u>\$ 68,573,081</u> |

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy manages the exposure to declines in fair values by limiting the average of maturity of its portfolio to no more than three and one half years, unless an investment is matched to an anticipated future cash flow.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

| | Fair Value | Twelve Months or Less | Twelve Months to Two Years | Two Years to Three Years | Three Years to Seven Years | Credit Rating |
|----------------------------------|----------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|------------------|
| Treasury Obligations | \$ 979,414 | \$ - | \$ 979,414 | \$ - | \$ - | Aaa/AA+ |
| US Government Agency Securities | 18,979,239 | 7,897,515 | 3,962,675 | 7,119,049 | - | Aaa/AA+ |
| Municipal Securities | 195,130 | 195,130 | - | - | - | Aaa/AA+ |
| Certificates of Deposit | 3,048,516 | 3,048,516 | - | - | - | Not Rated |
| Local Government Investment Pool | 24,704,665 | 24,704,665 | - | - | - | Not Rated |
| Snohomish County Investment Pool | 15,981,376 | - | 15,981,376 | - | - | Not Rated |
| | <u>\$ 63,888,340</u> | <u>\$ 35,845,826</u> | <u>\$ 20,923,465</u> | <u>\$ 7,119,049</u> | <u>\$ -</u> | |

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits the instruments in which the City may invest. The City is empowered to invest in the following types of securities:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- U.S. Treasury securities maturing in less than ten years;
- Fully insured or collateralized certificates of deposit, and other evidences of deposit, at qualified financial institutions that are approved by the Washington Public Deposit Protection Commission;
- Banker's Acceptances, and commercial paper rated in the highest tier by a nationally recognized rating agency;
- Investment grade obligations of state and local governments and public authorities located within the State of Washington; and
- Local government investment pools, either state administered or through joint powers statutes and other intergovernmental agreement legislation.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from the active pool

participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk and is recorded as a cash equivalent. The pool is unrated by financial rating agencies. Investments are reported at their amortized cost basis to pool participants, which approximates fair value. The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting.

The Snohomish County Investment Pool (SCIP) is not registered with the SEC. Investments are reported at fair value to the participants. It includes participating funds from the County's primary government and funds from the districts where the County Treasurer serves as *ex-officio* Treasurer. There are no involuntary participants in the SCIP. All participants have notified the Treasurer of their desire to participate in the SCIP. The portion of the pool belonging to outside districts is reported in an Investment Trust Fund. SCIP investments are those allowed by County Investment Policy and include savings accounts, CD's and securities.

Pool participant shares are based on the dollars that they have invested in SCIP. The income is distributed based on interest rates on investments, amortization of premiums and discounts, and realized gains and losses for the month.

Pool oversight comes from the Snohomish County Finance Committee (SCFC). The SCFC consists of the County Treasurer, County Executive and Chairperson of the County Council. SCFC approves investment policies for SCIP.

Fair value of securities is based on the market value reports provided by the County's custodial agent. The market values are uploaded into the County investment software monthly from the custodial agent. The fair value of each participant's investment is determined by calculating the ratio of total investments by pool participants divided into the total fair value of the SCIP underlying assets.

Custodial Credit Risk - Deposits. Custodial Credit Risk for Deposits is the risk that in the event of a bank failure, the City may not be able to recover deposits or collateral securities that are in the possession of an outside party. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. The WPDPC may make pro-rata assessments to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

Custodial Credit Risk – Investments. Custodial Credit Risk for Investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by U.S. Bank, as the City's agent, in the City's name.

Concentration of Credit Risk. Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy requires that no more than 50 percent of the City's portfolio, at the time of purchase, shall be in any single financial institution, with the exception of investments in the LGIP, the SCIP, or U.S. Treasury or Agency securities.

The City measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. The guidance requires three levels of fair value measurement based on the respective inputs.

Level 1: Prices quoted in active markets for identical securities.

Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3: Unobservable inputs for an asset or liability.

U.S. Agency securities and municipal bonds classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 or Level 3 security classifications to report.

The following table presents recurring fair value measurements as of December 31, 2023:

| Fair Value Measurement Using | | | | |
|-------------------------------|--|--|---|----------------------|
| Investment Type | Quoted Prices Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Federal Agency Securities | \$ - | \$ 18,979,239 | \$ - | \$ 18,979,239 |
| Municipal Securities | - | 195,130 | - | 195,130 |
| Treasury Obligations | - | 979,414 | - | 979,414 |
| Snohomish Co. Investment Pool | - | 15,981,376 | - | 15,981,376 |
| Total | \$ - | \$ 36,135,159 | \$ - | \$ 36,135,159 |

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio at December 31, 2023:

| Maturities | | | | |
|--------------------------------------|----------------------|----------------------|----------------------|-------------------------|
| Investment Type | Fair Value | Less Than 1 Year | 1 to 7 Years | % of Total Portfolio |
| US Government Agency Securities | \$ 18,979,239 | \$ 7,897,515 | \$ 11,081,724 | 29.71% |
| Municipal Securities | 195,130 | 195,130 | - | 0.31% |
| Treasury Obligations | 979,414 | - | 979,414 | 1.53% |
| Snohomish County Pool | 15,981,376 | - | 15,981,376 | 25.01% |
| Certificates of Deposit | 3,048,516 | 3,048,516 | - | 4.77% |
| Subtotal | 39,183,675 | 11,141,161 | 28,042,514 | 61.33% |
| WA State LGIP * | 24,704,665 | 24,704,665 | - | 38.67% |
| Total | \$ 63,888,340 | \$ 35,845,826 | \$ 28,042,514 | 100.00% |
| Percentage of Total Portfolio | | 56.11% | 43.89% | 100.00% |

Discretely Presented Component Unit: Cash and equity in pooled investments of the Edmonds Public Facilities District are comprised of governmental type activities only. The balances as of December 31, 2023 are as follows:

| | December 31, 2023 |
|--------------------------------------|----------------------|
| Cash and Cash Equivalents | \$ 167,702 |
| Restricted Cash and Cash Equivalents | 698,879 |
| | \$ 866,581 |

The following tables present information regarding the components of Cash and Cash Equivalents as of December 31, 2023:

Financial Statements

| | Governmental Activities | Business-type Activities | Total Primary Govt. |
|--------------------------------------|----------------------------|-----------------------------|------------------------|
| Cash and Cash Equivalents | \$ 12,940,747 | \$ 13,169,028 | \$ 26,109,775 |
| Restricted Cash and Cash Equivalents | 3,048,516 | 3,279,631 | 6,328,147 |
| Investments | 19,067,370 | 17,067,789 | 36,135,159 |
| | <u>\$ 35,056,634</u> | <u>\$ 33,516,448</u> | <u>\$ 68,573,081</u> |

Restricted Cash and Cash Equivalents

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Deposit to Bond Reserve Account | \$ - | \$ 3,279,631 | \$ 3,279,631 |
| First Financial CD -Waterfront Center | 245,000 | - | 245,000 |
| First Financial CD - PFD Collateral | 2,803,516 | - | 2,803,516 |
| | <u>\$ 3,048,516</u> | <u>\$ 3,279,631</u> | <u>\$ 6,328,147</u> |

NOTE 4 – PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue in the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The City may levy up to \$3.10 per \$1,000 of assessed valuation for general governmental services. This rate is limited by the Washington State Constitution and RCW 84.55.010.

The City's regular levy for 2023 was \$0.68615539496 per \$1,000 on an assessed valuation of \$15,572,537,385 for a total regular levy of \$10,685,181. Voters have approved one special levy, for Emergency Medical Services (EMS). The City's EMS Levy for 2023 was \$0.27523680720 per \$1,000 on an assessed valuation of \$15,572,537,385 for a total EMS levy of \$4,286,135.

Property Tax Calendar

| | |
|-------------|---|
| January 1 | Tax is levied and become an enforceable lien against properties. |
| February 14 | Tax bills are mailed. |
| April 30 | First of two equal installment payments is due. |
| May 31 | Assessed value of property established for next year's levy at 100 percent of market value. |
| October 31 | Second installment is due. |

NOTE 5 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2023 are as follows:

| | Customer Accounts | Taxes | Leases Receivable | Due From Other Governments | Due from Component Units | Total |
|---------------------------------------|----------------------|-------------------|----------------------|-------------------------------|--------------------------------|----------------------|
| Governmental Activities | | | | | | |
| General Fund | \$ 694,226 | \$ 247,000 | \$ 290,679 | \$ 2,821,354 | \$ 3,597,697 | \$ 7,650,956 |
| Other Governmental Funds | 900 | - | - | 3,028,829 | 350 | 3,030,079 |
| Internal Service | 470 | - | - | 1,963 | - | 2,433 |
| Total Governmental Activities | \$ 695,596 | \$ 247,000 | \$ 290,679 | \$ 5,852,146 | \$ 3,598,047 | \$ 10,683,469 |
| Business-type Activities | | | | | | |
| Combined Utility Fund | \$ 4,913,792 | \$ - | \$ - | \$ 1,513,699 | \$ - | \$ 6,427,490 |
| Total Business-type Activities | \$ 4,913,792 | \$ - | \$ - | \$ 1,513,699 | \$ - | \$ 6,427,490 |

Payables at December 31, 2023 are as follows:

| | Salaries and Benefits | Accounts Payable | Due to Other Governments | Other Current Liabilities | Total |
|---------------------------------------|--------------------------|---------------------|-----------------------------|------------------------------|---------------------|
| Governmental Activities | | | | | |
| General Fund | \$ 1,480,092 | \$ 1,066,254 | \$ - | \$ 193,551 | \$ 2,739,897 |
| Other Governmental Funds | 84,482 | 1,718,366 | - | 66,288 | 1,869,136 |
| Internal Service | 63,272 | 129,323 | - | - | 192,596 |
| Total Governmental Activities | \$ 1,627,846 | \$ 2,913,943 | \$ - | \$ 259,839 | \$ 4,801,629 |
| Business-type Activities | | | | | |
| Combined Utility Fund | \$ 293,003 | \$ 886,791 | \$ 632,482 | \$ 1,012,100 | \$ 2,824,377 |
| Total Business-type Activities | \$ 293,003 | \$ 886,791 | \$ 632,482 | \$ 1,012,100 | \$ 2,824,377 |

NOTE 6 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Outflows of Resources at December 31, 2023, are as follows:

| Deferred Outflows of Resources - Government-wide Statement of Net Position | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is greater. | \$ 25,856 | \$ 10,440 |
| GASB 68 Pension Deferred Outflow | 7,242,571 | 882,307 |
| Total | \$ 7,268,427 | \$ 892,747 |

Deferred Inflows of Resources at December 31, 2023 are as follows:

| Deferred Inflows of Resources - Government-wide Statement of Net Position | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is less. | \$ 43,375 | \$ 150,501 |
| GASB 68 Pension Deferred Inflow | 4,679,767 | 724,822 |
| GASB 87 Leases | 292,045 | 1,093 |
| Total | \$ 5,015,187 | \$ 876,416 |

| Deferred Inflows of Resources - Governmental Funds Balance Sheet | General Fund | Enterprise Funds |
|---|---------------------|---------------------|
| The portion of property taxes not received within 60 days of 2023 | \$ 226,656 | \$ - |
| The portion of court receivables not received within 60 days of 2023 | 112,128 | - |
| GASB 87 Leases | 292,045 | - |
| The portion of opioid receivables not received within 60 days of 2023 | 1,152,208 | - |
| Total | \$ 1,783,037 | \$ - |

NOTE 7 – INTERFUND ACTIVITY

There was one interfund balance as of December 31, 2023 for a utility tax payable to the General Fund in the amount of \$281,772.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Routine transfers include contributions to the pension funds, transfers for debt service requirements, transfers from unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, transfers for the 1% percent for the arts program, and transfers when the City closes out activity in a fund.

Interfund activity for the year is as follows:

| | Transfers In | Transfers Out | | | |
|--------------------|---------------------|---------------|-----------------------|---------------------|---------------------|
| | | General | Other Governmental | Internal Service | Total |
| General Fund | \$ 72,066 | \$ - | \$ 430,000 | \$ 90,757 | \$ 520,757 |
| Other Governmental | 897,017 | - | 536,052 | - | 536,052 |
| Enterprise | - | - | 3,031 | - | 3,031 |
| Internal Service | 90,757 | - | - | - | - |
| Total | \$ 1,059,839 | \$ - | \$ 969,083 | \$ 90,757 | \$ 1,059,839 |

NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED COMPONENTS

The government-wide statement of net position reports \$23,340,393 for Governmental Activities and \$4,372,023 for Business-Type Activities as restricted components of net position. The fund statements report \$3,425,394 as committed.

| Governmental Activities Restricted for: | |
|--|-------------------|
| Per RCW, proceeds from seizures are limited to law enforcement activities exclusively | 40,843 |
| Restricted per RCW related to state fuel taxes, transportation benefit fees, impact fees and grant agreements | 2,739,509 |
| Restricted per RCW related to REET revenue and lodging tax restrictions, private donors, and grant agreements | 9,386,347 |
| Per RCW, proceeds are limited to paying the cost of tourism promotion and the Edmonds Business Improvement District | 188,929 |
| Restricted per the Federal American Rescue Plan Act (ARPA) | 36,932 |
| Per RCW, 60% of the proceeds are limited to the construction of affordable housing, construction of mental and behavioral health-related facilities and facilities where housing related programs are provided. The remaining proceeds must be used for the operation, delivery or evaluation of mental and behavioral health treatment programs and services or housing -related services | 309,127 |
| Restricted for specific purposes | 92,800 |
| Restricted for Net Pension Assets | 10,545,906 |
| Total Restricted Components of Net Position | 23,340,393 |
| Business-Type Activities Restricted for: | |
| Customer deposits | 8,048 |
| Debt service restrictions | 3,279,630 |
| Restricted for Net Pension Assets | 1,084,345 |
| Total Restricted Components of Net Position | 4,372,023 |
| Governmental Activities Committed for: | |
| Committed for the cost of operating and restoring the Edmonds Marsh | 853,595 |
| Committed to provide moneys with which to alleviate the problem of homelessness in Edmonds and the surrounding area | 200,000 |
| Committed for the acquisition or advancement of visual and performing arts within the City | 657,265 |
| Committed for the administration of the employee permit parking program solely and exclusively | 83,814 |
| Committed for special projects, special events, capital improvements and other nonrecurring needs of cemetery | 196,245 |
| Committed to be expended solely for the purpose of maintaining the cemetery | 1,212,121 |
| Committed to be expended solely for the purpose of evaluation, protection, enhancement, preservation, replacement and proper maintenance of significant trees within the City of Edmonds in alignment with the tree ordinance. | 222,354 |
| Total Committed Components of Fund Balance | 3,425,394 |

NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2023 is as follows:

| Schedule of Capital Asset Activity | | | | |
|--|---------------------|---------------|-----------------|-----------------------|
| | Balance 1/1/2023 | Increases | Decreases | Balance 12/31/2023 |
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,939,932 | \$ 245,394 | \$ - | \$ 18,185,325 |
| Construction in progress | 21,255,126 | 5,840,324 | (20,145,816) | 6,949,633 |
| Total capital assets not being depreciated: | 39,195,058 | 6,085,718 | (20,145,816) | 25,134,959 |
| Capital assets, being depreciated: | | | | |
| Building | 25,143,340 | 797,274 | (460,886) | 25,479,727 |
| Improvements other than buildings | 29,662,040 | 15,867,270 | (2,211,512) | 43,317,798 |
| Infrastructure | 65,264,005 | 11,006,127 | - | 76,270,132 |
| Machinery and equipment | 11,626,532 | 1,534,386 | (452,903) | 12,708,014 |
| Intangible assets | 55,500 | - | - | 55,500 |
| Right-to-use lease assets | 488,958 | 84,903 | (6,450) | 567,411 |
| Right-to-use subscription assets | - | 120,399 | - | 120,399 |
| Total capital assets being depreciated: | 132,240,374 | 29,410,358 | (3,131,751) | 158,518,981 |
| Less accumulated depreciation for: | | | | |
| Buildings | (18,406,498) | (541,397) | 362,915 | (18,584,980) |
| Improvements other than buildings | (11,928,645) | (1,299,321) | 423,271 | (12,804,695) |
| Infrastructure | (41,137,319) | (1,431,679) | - | (42,568,998) |
| Machinery and equipment | (6,198,428) | (821,276) | 417,685 | (6,602,019) |
| Intangible assets | (10,175) | (11,100) | - | (21,275) |
| Right-to-use lease assets | (79,003) | (126,222) | - | (205,225) |
| Right-to-use subscription assets | - | (45,221) | - | (45,221) |
| Total accumulated depreciation: | (77,760,068) | (4,276,216) | 1,203,871 | (80,832,413) |
| Total capital assets being depreciated, net: | 54,480,306 | 25,134,143 | (1,927,880) | 77,686,568 |
| Governmental activities capital assets, net: | \$ 93,675,364 | \$ 31,219,860 | \$ (22,073,697) | \$ 102,821,527 |
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,257,106 | \$ - | \$ - | \$ 1,257,106 |
| Construction in progress | 37,715,034 | 4,190,595 | (6,717,999) | 35,187,629 |
| Total capital assets, not being depreciated: | 38,972,140 | 4,190,595 | (6,717,999) | 36,444,735 |
| Capital assets being depreciated: | | | | |
| Building | 35,777,156 | 1,674,094 | - | 37,451,250 |
| Improvements other than buildings | 117,885,169 | 5,788,425 | (386,770) | 123,286,825 |
| Machinery and equipment | 1,056,537 | 18,479 | (6,716) | 1,068,300 |
| Intangible assets | 1,296,696 | - | - | 1,296,696 |
| Right-to-use lease assets | 17,017 | - | (838) | 16,178 |
| Total capital assets being depreciated: | 156,032,576 | 7,480,998 | (394,324) | 163,119,250 |
| Less accumulated depreciation for: | | | | |
| Buildings | (21,362,806) | (743,428) | - | (22,106,233) |
| Improvements other than buildings | (40,306,772) | (2,766,948) | 316,227 | (42,757,493) |
| Machinery and equipment | (659,976) | (44,905) | 6,716 | (698,165) |
| Intangible assets | (1,250,000) | - | - | (1,250,000) |
| Right-to-use lease assets | (1,767) | (3,381) | - | (5,149) |
| Total accumulated depreciation: | (63,581,320) | (3,558,662) | 322,943 | (66,817,039) |
| Total capital assets being depreciated, net: | 92,451,255 | 3,922,336 | (71,381) | 96,302,210 |
| Business activities capital assets, net: | \$ 131,423,395 | \$ 8,112,931 | \$ (6,789,380) | \$ 132,746,946 |

The difference of \$62,087 in accumulated depreciation between the 2022 Ending Balance and the 2023 Beginning Balance for governmental infrastructure and \$1,664 in business-type improvements was due to a street project that was not capitalized in 2022. The difference of \$20,496 in accumulated depreciation for buildings in the Business-Type Activities was due to a portion of a continuing project not being capitalized in 2022.

The difference of \$400 between the 2022 Ending Balance and the 2023 Beginning Balance for the Right-to-use lease assets accumulated depreciation is due to payment and incremental borrowing rate corrections in both the Governmental Activities and Business-Type Activities.

Depreciation Expense by Function

Governmental Activities:

| | |
|--|---------------------|
| General government | \$ 574,297 |
| Public safety | 449,599 |
| Culture and recreation | 1,222,796 |
| Transportation | 1,370,316 |
| Physical Environment | 374 |
| Internal service | 658,834 |
| Total depreciation expense - Governmental Activities | <u>\$ 4,276,216</u> |

Business-Type Activities:

| | |
|---|---------------------|
| Stormwater | \$ 605,120 |
| Water | 761,354 |
| Sewer | 852,243 |
| Wastewater Treatment | 1,339,944 |
| Total depreciation expense - Business Type Activities | <u>\$ 3,558,662</u> |

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the year ended December 31, 2023:

| | State Sponsored Plans | Single Employer Plan | Total |
|--------------------------------|--------------------------------------|-------------------------------------|----------------|
| Pension Liabilities | \$ (2,547,483) | \$ (602,001) | \$ (3,149,484) |
| Pension Assets | \$ 11,630,252 | \$ - | \$ 11,630,252 |
| Deferred Outflows of Resources | \$ 8,122,104 | \$ 2,775 | \$ 8,124,879 |
| Deferred Inflows of Resources | \$ (5,404,591) | \$ - | \$ (5,404,591) |
| Pension Expense/Expenditures | \$ (460,054) | \$ 110,077 | \$ (349,977) |

State Sponsored Pension Plans

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The DRS, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for each plan. The DRS Report may be obtained by writing to Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540, or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost of living adjustment, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| PERS Plan 1 Actual Contribution Rates | Employer | Employee |
|--|-----------------|-----------------|
| 2023 | | |
| January through June | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 3.85% | |
| Administrative Fee | 0.18% | |
| Total | 10.39% | 6.00% |
| July through December | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 2.85% | |
| Administrative Fee | 0.18% | |
| Total | 9.39% | 6.00% |

The City's actual contributions to the plan were \$736,407 for the year ended December 31, 2023.

PERS Plan 2/3 – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance based on the CPI capped at 3% annually, and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 – defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The

Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

| PERS Plan 2/3 Actual Contribution Rates | Employer 2/3 | Employee 2 | Employee 3 |
|--|---------------------|-------------------|-------------------|
| 2023 | | | |
| January through June | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies |
| PERS Plan 1 UAAL | 3.85% | | |
| Administrative Fee | 0.18% | | |
| Total | 10.39% | 6.36% | Varies |
| July through December | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies |
| PERS Plan 1 UAAL | 2.85% | | |
| Administrative Fee | 0.18% | | |
| Total | 9.39% | 6.36% | Varies |

The City's actual contributions to the plan were \$ 1,375,297 for the year ended December 31, 2023.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per years of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10 – 19 years of service – 1.5% of FAS
- 5 – 9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. Members are eligible for retirement with 5 years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – Starting on July 1, 2000 **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.18% of covered payroll.

LEOFF Plan 2 – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53, with at least 5 years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3% for each

year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance based on the CPI, capped at 3% annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of 5 years of eligible service.

Contributions – The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18%. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and State contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| LEOFF Plan 2 Actual Contribution Rates | Employer | Employee |
|---|-----------------|-----------------|
| 2023 | | |
| January through December | | |
| LEOFF Plan 2 | 5.12% | 8.53% |
| Administrative Fee | 0.18% | |
| Total | 5.30% | 8.53% |

The City's actual contributions to the plan were \$ 409,234 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023 the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$248,205.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023, with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR), and there were the following assumption changes:

- OSA made adjustments to TRS Plan1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | Percent Long-Term Expected Real Rate of Return Arithmetic |
|--------------------|--------------------------|--|
| Fixed Income | 20.00% | 1.50% |
| Tangible Assets | 7.00% | 4.70% |
| Real Estate | 18.00% | 5.40% |
| Global Equity | 32.00% | 5.90% |
| Private Equity | 23.00% | 8.90% |
| Total | 100.00% | |

Sensitivity of the NPL

The table below presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

| 2023 | 1% Decrease (6.0%) | Current Discount Rate (7.0%) | 1% Increase (8.0%) |
|-------------|---------------------------|-------------------------------------|---------------------------|
| PERS 1 | \$ 3,559,027 | \$ 2,547,483 | \$ 1,664,644 |
| PERS 2/3 | \$ 6,316,849 | \$ (5,807,957) | \$ (15,769,251) |
| LEOFF 1 | \$ (1,500,289) | \$ (1,691,981) | \$ (1,858,208) |
| LEOFF 2 | \$ 683,868 | \$ (4,130,314) | \$ (8,070,309) |

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets)

At December 31, 2023, the City reported a net pension liability of \$2,547,483 and a net pension asset of \$11,630,252 for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2023):

| 2023 | Liability (Asset) |
|-------------|--------------------------|
| PERS 1 | \$ 2,547,483 |
| PERS 2/3 | \$ (5,807,957) |
| Total | \$ (3,260,474) |
| LEOFF 1 | \$ (1,691,981) |
| LEOFF 2 | \$ (4,130,314) |
| Total | \$ (5,822,295) |

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

| | LEOFF 1 (Asset) | LEOFF 2 (Asset) |
|---|-----------------|-----------------|
| Employer's Proportionate Share | \$ (1,691,981) | \$ (4,130,314) |
| State's Proportionate Share of the Net Pension Asset Associated with the Employer | \$ (11,444,520) | \$ (2,637,576) |
| Total | \$ (13,136,501) | \$ (6,767,890) |

The City's proportionate share of the collective net pension assets, deferred outflows, liabilities, and deferred inflows was as follows:

| | Proportionate Share 6/30/2022 | Proportionate Share 6/30/2023 | Change in Proportion |
|----------|-------------------------------|-------------------------------|----------------------|
| PERS 1 | 0.096335% | 0.111598% | 0.015263% |
| PERS 2/3 | 0.119425% | 0.141703% | 0.022278% |
| LEOFF 1 | 0.056145% | 0.057007% | 0.000862% |
| LEOFF 2 | 0.173270% | 0.172197% | -0.001073% |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2023, the City recognized pension expense as follows:

| 2023 | |
|-------------|--------------|
| PERS 1 | \$ 485,553 |
| PERS 2/3 | \$ (781,807) |
| LEOFF 1 | \$ (170,308) |
| LEOFF 2 | \$ 6,507 |
| Total | \$ (460,055) |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ - | \$ (287,367) |
| Changes of Assumptions | \$ - | \$ - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | \$ - | \$ - |
| Contributions Subsequent to the Measurement Date | \$ 306,914 | \$ - |
| Total PERS 1 | \$ 306,914 | \$ (287,367) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience | \$ 1,183,074 | \$ (64,893) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ - | \$ (2,188,789) |
| Changes of Assumptions | \$ 2,438,381 | \$ (531,471) |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | \$ 125,780 | \$ (796,159) |
| Contributions Subsequent to the Measurement Date | \$ 665,796 | \$ - |
| Total PERS 2/3 | \$ 4,413,031 | \$ (3,581,312) |

| LEOFF 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ - | \$ (112,194) |
| Changes of Assumptions | \$ - | \$ - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | \$ - | \$ - |
| Contributions Subsequent to the Measurement Date | \$ - | \$ - |
| Total LEOFF 1 | \$ - | \$ (112,194) |

| LEOFF 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience | \$ 1,687,116 | \$ (33,981) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ - | \$ (873,965) |
| Changes of Assumptions | \$ 1,055,073 | \$ (339,273) |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | \$ 442,995 | \$ (176,499) |
| Contributions Subsequent to the Measurement Date | \$ 216,974 | \$ - |
| Total LEOFF 2 | \$ 3,402,158 | \$ (1,423,718) |

| All Plans | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience | \$ 2,870,190 | \$ (98,874) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ - | \$ (3,462,315) |
| Changes of Assumptions | \$ 3,493,454 | \$ (870,744) |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | \$ 568,775 | \$ (972,658) |
| Contributions Subsequent to the Measurement Date | \$ 1,189,684 | \$ - |
| Total All Plans | \$ 8,122,103 | \$ (5,404,591) |

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | PERS 1 | PERS 2/3 |
|---------------------------------|----------------|-----------------|
| 2024 | \$ (195,515) | \$ (1,208,339) |
| 2025 | \$ (245,880) | \$ (1,350,327) |
| 2026 | \$ 151,606 | \$ 1,709,352 |
| 2027 | \$ 2,420 | \$ 548,451 |
| 2028 | \$ - | \$ 537,474 |
| Thereafter | \$ - | \$ (70,688) |
| Total | \$ (287,369) | \$ 165,923 |
| | | |
| | LEOFF 1 | LEOFF 2 |
| 2024 | \$ (76,924) | \$ (309,886) |
| 2025 | \$ (96,530) | \$ (451,020) |
| 2026 | \$ 59,881 | \$ 792,623 |
| 2027 | \$ 1,379 | \$ 315,414 |
| 2028 | \$ - | \$ 336,317 |
| Thereafter | \$ - | \$ 1,078,018 |
| Total | \$ (112,194) | \$ 1,761,466 |

Firemen's Pension Fund

Plan Description

The Law Enforcement Officers' and Firefighters' (LEOFF) pension system was established by the State of Washington on March 1, 1970. The City retained the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retained the responsibility for a portion of the benefits payable to members who were active on that date.

As a result, the City of Edmonds is the administrator of the Firemen's Pension Plan which is included in the General Fund. Separate financial statements are not issued. This system is a closed, single-employer, defined benefit pension system. City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with RCW 41.18 and RCW 41.20.

Employees Covered by Benefit Terms

During 2023 there were a total of 4 retirees covered under this system who are receiving pension benefits; of these 4 retirees, 3 are also receiving medical benefits from this fund. There were no active employees covered under this plan, and there were no inactive employees entitled to but not yet receiving benefits. The pension plan is closed to new entrants.

Funding Policy and Contributions

Under State law, the Firemen's Pension Fund is provided an allocation of 25% of all money received by the State from taxes on fire insurance premiums. The General Fund may provide additional funding to help cover benefits and administrative costs as necessary. Active pension plan members are not required to contribute to the plan.

The financial activity of the Firemen's Pension Fund is included within the General Fund. No separate stand-alone financial report is issued for the fund. Although the City administers the pension plan, it is partially funded by a percentage of the tax on fire insurance premiums. The state contributes 25% of taxes on fire insurance premiums to this plan and is considered a non-employer contributing entity. The amount of contributions received for the year ended December 31, 2023 was \$75,698.

Milliman, Inc., actuaries and consultants, provided the Firemen's Pension Fund Actuarial Valuation for the year ended December 31, 2023. The Net Pension Liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of January 1, 2023. The Firemen's Pension Fund did not hold any investments. The net pension liability has been recorded as a noncurrent liability on the City's Government-wide Statement of Net Position. Significant actuarial assumptions used in the valuation include:

| | |
|---|--|
| Actuarial Cost Method | Entry Age |
| Actuarial Asset Method | Market Value |
| Assumptions: | |
| Investment Return Assumption (Discount Rate)* | 3.25% |
| Salary Increases | 3.25% |
| Inflation related to Consumer Price Index | 2.50% |
| Mortality – Service-retired members and spouses | Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. |
| Mortality – Disabled members | Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. |
| Mortality – Surviving Spouses | A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. |
| | |

*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2022 | \$ 535,003 | \$ 43,430 | \$ 491,573 |
| Changes for the Year: | | | |
| Service Cost | - | - | - |
| Interest | 18,762 | - | 18,762 |
| Changes in Benefits Provided | - | - | - |
| Changes in Economic gains or losses | 118,779 | - | 118,779 |
| Changes in Actuarial Assumptions or Inputs | 31,191 | - | 31,191 |
| Differences Between Expected and Actual Experience | - | - | - |
| Contributions - Employer | - | - | - |
| Net Investment Income | - | - | - |
| Contributions from state fire insurance premium tax | - | 75,698 | (75,698) |
| Benefit Payments and Withdrawals | (70,052) | (70,052) | - |
| Medical Payments from Fund | - | (17,394) | 17,394 |
| Administrative Expenses | - | - | - |
| Other | - | - | - |
| Balances at December 31, 2023 | <u>\$ 633,683</u> | <u>\$ 31,682</u> | <u>\$ 602,001</u> |

Net Plan Fiduciary Net Position

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Total Pension Liability | \$ 633,683 | \$ 535,003 |
| Pension Plans Fiduciary Net Position | <u>31,682</u> | <u>43,430</u> |
| Net Pension Liability | <u>\$ 602,001</u> | <u>\$ 491,573</u> |
| Plan Fiduciary Net Position as a % of the Total Pension Liability | 5.00% | 8.12% |

Sensitivity of Net Pension Liability

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| | 1% Decrease | Current Rate 3.25% | 1% Increase |
|-----------------------|-------------|-----------------------|-------------|
| Net Pension Liability | \$ 640,894 | \$ 602,001 | \$ 567,003 |

Pension Expense

For the year ended December 31, 2023 the City recognized pension expense related to the Firemen's pension plan as follows:

| | |
|---|-------------------|
| Service Cost | \$ - |
| Interest Cost | 18,762 |
| Expected Investment Earnings | (1,410) |
| Administrative Expense | - |
| Medical Payments | 17,394 |
| Contributions from state fire insurance premium tax | (75,698) |
| Recognition of economic gains or losses | 118,779 |
| Amortization of Deferred Inflows and Outflows | 32,250 |
| Changes in Benefits Provided | - |
| | <u>\$ 110,077</u> |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to the Firemen's pension plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual | - | - |
| Investment Earnings on Pension Plan Investments | 2,775 | - |
| Changes of Assumptions | - | - |
| Total | <u>\$ 2,775</u> | <u>\$ -</u> |

Deferred Outflows of resources related to the Firemen's Pension Plan and Deferred Inflows of Resources related to the Firemen's Pension Plan will be recognized in pension expense as follows:

| Year Ending December 31, | |
|--------------------------|-----------------|
| 2024 | \$ 945 |
| 2025 | 998 |
| 2026 | 550 |
| 2027 | 282 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ 2,775</u> |

Municipal Employees Benefits Trust (MEBT)

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to 2 U.S.C.A., Sec. 418 (g) effective July 1, 1977. City employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both the City and participants are required to contribute an

amount equal to the current Federal Insurance Contributions Act (FICA) tax rate. The City's contribution for fiscal year 2023 was \$1,687,425 which represents its full liability.

For the year ending December 31, 2023, the City's covered payroll was \$30,160,699. No significant benefit changes occurred in 2023. The plan is administered by a Plan Committee consisting of two members appointed by the Mayor and five members elected by the employees who contribute to the plan. Members appointed by the Mayor serve at the pleasure of the Mayor; elected members serve a two-year term and may be re-elected for an additional two-year term.

Plan assets are not City property but are maintained in trust at American Stock Transfer and Trust Company. Plan assets, therefore, are not included in these financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or the liabilities of the plan trustee without its consent.

The City has the right at any time to reduce, suspend, or completely discontinue its contributions to the plan. Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided through Cigna Group Insurance, and 2) each participant shall, at their normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay their retirement benefit from their account (no City or participant contributions are to be added to the account after retirement), or (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to their account.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31:

| | <u>2023</u> |
|--------------------------------|----------------|
| OPEB Liabilities | \$ (6,008,024) |
| Deferred Outflows of Resources | - |
| Deferred Inflows of Resources | - |
| OPEB Expense | 493,595 |

In addition to providing pension benefits described under "Fireman's Pension," the City provides other post-employment health care benefits. Firefighters hired between March 1, 1970, and September 30, 1977 are members of the LEOFF 1 pension system and are also eligible for a supplemental retirement benefit plus health benefits under the City plan.

General Information about the OPEB Plan

Plan Description

This system is a closed, single-employer, defined benefit OPEB plan.

Benefits Provided

The City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund. In accordance with RCW 41.26.150, all employees who become eligible after age 50 or become disabled while employed with at least 5 years of service in the LEOFF 1 system are eligible.

Employees Covered by Benefit Terms

At December 31, 2023 the following employees were covered by the benefit terms:

| | <u>2023</u> |
|---|-------------|
| Inactive Employees or Beneficiaries Currently | |
| Receiving Benefit Payments | 18 |
| Inactive Employees Entitled to But Not Yet | |
| Receiving Benefit Payments | - |
| Active Employees | - |

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

Under authorization of the Disability Board, the City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. The retiree does not contribute towards the cost of their medical care.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2023, and was determined using an actuarial valuation as of January 1, 2023. The actuarial measurement was based on the following methods and assumptions:

| | |
|---|---|
| Methodology: | |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Asset Method | Market Value |
| Assumptions: | |
| Investment Return Assumption (Discount Rate)* | 3.25% |
| Salary Increases | 3.25% |
| Cost of Living Adjustments | 2.50% |
| Inflation | 2.50% |
| Mortality - Service-retired members and spouses | The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males. |
| Mortality - Disabled members | The mortality rates are based on the Pub-2010 Safety Disability Mortality Table with generational projection using the ultimate rates in Projection Scale MP-2017. |
| Mortality - Surviving Spouses | The mortality rates are based on a blend of the Pub-2010 Safety Mortality Table and Pub-2010 Contingent Annuitant table with generational projection using the ultimate rates in Projection Scale MP-2017. |
| Medical Trend Rate | 6.10% Grading Down to 3.9% in 2073 |
| Long-Term Care Trend Rate | 4.75% |

*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.

Changes in the total OPEB Liability:

| | <u>2023</u> |
|--|---------------------|
| Balance - January 1 | \$ 5,859,656 |
| Service Cost | - |
| Interest | 213,324 |
| Changes in Actuarial Assumptions | 362,867 |
| Changes in Economic (gains) or losses | (82,596) |
| Differences Between Expected and Actual Experience | - |
| Benefit Payments and Withdrawals | (345,227) |
| Other | - |
| Total | <u>\$ 6,008,024</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the City calculated using a discount rate and healthcare trend rates that are 1 percentage point higher and 1 percentage point lower than the current discount rate and health care cost trend rates:

| | 1% Decrease | Current Rate 3.25% | 1% Increase |
|---------------|--------------------|-------------------------------|--------------------|
| Discount Rate | \$ 6,619,768 | \$ 6,008,024 | \$ 5,481,729 |

| | 1% Decrease | Current Rate 6.10% Grading Down to 3.9% in 2023 | 1% Increase |
|----------------------------|--------------------|--|--------------------|
| Healthcare Cost Trend Rate | \$ 5,555,537 | \$ 6,008,024 | \$ 6,516,307 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City recognized OPEB expense for the year ended December 31 as follows:

| | 2023 |
|---|-------------------|
| Service Cost | \$ - |
| Interest Cost | 213,324 |
| Amortization of Deferred Inflows and Outflows | 280,271 |
| Total | <u>\$ 493,595</u> |

NOTE 12 – LONG-TERM DEBT

The City of Edmonds issues general obligation and revenue bonds to finance the acquisition and construction of major capital facilities and capital programs. General obligation bonds have been issued in the past for both general government and business type activities and are being repaid from the applicable resources. Governmental Activities long-term debt is paid from property and sales tax revenues. Revenue bonds are repaid out of the revenues generated by the related utility.

The City of Edmonds is liable for multiple direct borrowing notes. There are five Public Works Trust Fund Loans; two of the notes are general obligation and three notes are business-type. The City is liable for a note awarded by the Washington State Department of Ecology for the Wastewater Treatment Plant Electrical Improvements Project and a Snohomish County Public Works Assistance Fund note to finance the construction of a Stormwater Pump Station. The City is also liable for a 2016 Chase Bank direct borrowing note which was issued to refinance the City's 2007 general obligation bond. The notes from direct borrowing are considered obligations of both the general government and the utility and are being repaid from the applicable resources. The City is in compliance with all Washington State debt limitation statutes and bond indenture agreements.

General obligation bonds currently outstanding are as follows:

| Issue Name | Maturity Date | Interest Rates | Original Amount | Principal Installment | Balance 12/31/2023 |
|---|---------------|----------------|-----------------|-----------------------|--------------------|
| Governmental Debt: | | | | | |
| 2012 LTGO Refunding Bonds | 12/1/2031 | 1.750%-2.250% | \$ 9,325,000 | \$ 125,000 | \$ 755,000 |
| 2019 LTGO Bond - Civic Park | 12/1/2039 | 2.125%-5.000% | 3,485,000 | 130,000 | 3,000,000 |
| 2021 LTGOA Bond - Civic Park & Facilities | 12/1/2041 | 2.000%-5.000% | 5,435,000 | 185,000 | 5,080,000 |
| 2021 LTGOB Bond - PFD Refinance | 12/1/2041 | 2.000%-2.600% | 2,680,000 | 110,000 | 2,460,000 |
| Total Governmental GO Bonds | | | 20,925,000 | 550,000 | 11,295,000 |
| Business-type Debt: | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| 2021 LTGOA Bond - 2011 Refinance | 12/1/2031 | 5.000% | 6,070,000 | 550,000 | 5,520,000 |
| Total Business-type GO Bonds | | | 6,070,000 | 550,000 | 5,520,000 |
| Total General Obligation Bonds | | | \$ 26,995,000 | \$ 1,100,000 | \$ 16,815,000 |

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

| Year | GOVERNMENTAL ACTIVITIES | | | BUSINESS TYPE ACTIVITIES | | |
|-----------|-------------------------|--------------|---------------|--------------------------|--------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | 575,000 | 332,128 | 907,128 | 580,000 | 276,000 | 856,000 |
| 2025 | 590,000 | 310,828 | 900,828 | 605,000 | 247,000 | 852,000 |
| 2026 | 610,000 | 288,653 | 898,653 | 635,000 | 216,750 | 851,750 |
| 2027 | 580,000 | 265,353 | 845,353 | 670,000 | 185,000 | 855,000 |
| 2028 | 605,000 | 242,015 | 847,015 | 705,000 | 151,500 | 856,500 |
| 2029-2033 | 3,200,000 | 860,014 | 4,060,014 | 2,325,000 | 236,250 | 2,561,250 |
| 2034-2038 | 3,395,000 | 424,803 | 3,819,803 | - | - | - |
| 2039-2043 | 1,740,000 | 72,315 | 1,812,315 | - | - | - |
| | \$ 11,295,000 | \$ 2,796,106 | \$ 14,091,106 | \$ 5,520,000 | \$ 1,312,500 | \$ 6,832,500 |

Revenue bonds currently outstanding are as follows:

| Issue Name | Maturity Date | Interest Rates | Original Amount | Principal Installment | Balance 12/31/2023 |
|----------------------------|---------------|----------------|----------------------|-----------------------|----------------------|
| Business-type Debt: | | | | | |
| 2013 Water/Sewer Bonds | 12/1/2038 | 4.000%-5.000% | 15,010,000 | 240,000 | 13,045,000 |
| 2015 Water/Sewer Bonds | 12/1/2040 | 3.000%-4.000% | 18,740,000 | 600,000 | 14,195,000 |
| 2020 Water/Sewer Bonds | 12/1/2045 | 2.000%-2.250% | 13,875,000 | - | 13,875,000 |
| Total Revenue Bonds | | | <u>\$ 47,625,000</u> | <u>\$ 840,000</u> | <u>\$ 41,115,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| Year | BUSINESS TYPE ACTIVITIES | | |
|-----------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2024 | 875,000 | 1,417,828 | 2,292,828 |
| 2025 | 915,000 | 1,380,328 | 2,295,328 |
| 2026 | 955,000 | 1,343,728 | 2,298,728 |
| 2027 | 980,000 | 1,312,278 | 2,292,278 |
| 2028 | 1,015,000 | 1,280,028 | 2,295,028 |
| 2029-2033 | 7,645,000 | 5,791,284 | 13,436,284 |
| 2034-2038 | 12,690,000 | 3,680,299 | 16,370,299 |
| 2039-2043 | 11,185,000 | 1,354,669 | 12,539,669 |
| 2044-2048 | 4,855,000 | 164,475 | 5,019,475 |
| | <u>\$ 41,115,000</u> | <u>\$ 17,724,914</u> | <u>\$ 58,839,914</u> |

Notes from direct borrowing currently outstanding are as follows:

| Issue Name | Maturity Date | Interest Rates | Original Amount | Principal Installment | Balance 12/31/2023 |
|--|---------------|----------------|---------------------|-----------------------|---------------------|
| Governmental Debt: | | | | | |
| 2016 Chase Bank Loan | 12/1/2026 | 1.67% | \$ 838,526 | 86,451 | 267,157 |
| P W Trust Fund Loan - Street Construction | 6/30/2024 | 0.50% | 400,000 | 21,176 | 21,176 |
| P W Trust Fund Loan - Street Construction | 5/24/2026 | 0.50% | 624,750 | 32,882 | 98,645 |
| Total Governmental Notes from Direct Borrowings | | | <u>2,203,276</u> | <u>140,509</u> | <u>386,979</u> |
| Business-type Debt: | | | | | |
| 2016 Chase Bank Loan | 12/1/2026 | 1.67% | 2,328,116 | 240,025 | 741,746 |
| P W Trust Fund Loan - Water Improvements | 6/30/2024 | 0.50% | 408,000 | 25,839 | 25,839 |
| P W Trust Fund Loan - Storm Improvements | 6/30/2024 | 0.50% | 605,625 | 32,063 | 32,063 |
| P W Trust Fund Loan - Sewer Improvements | 6/30/2025 | 0.50% | 1,216,902 | 72,295 | 144,590 |
| Department of Ecology | 10/31/2033 | 2.30% | 638,540 | 31,691 | 360,385 |
| Snohomish County Loan | 7/1/2037 | 1.50% | 545,000 | 29,528 | 442,918 |
| Total Business-type Notes from Direct Borrowings | | | <u>7,089,433</u> | <u>431,441</u> | <u>1,747,540</u> |
| Total Notes from Direct Borrowings | | | <u>\$ 9,292,709</u> | <u>\$ 571,950</u> | <u>\$ 2,134,519</u> |

The annual debt service requirements to maturity for debt from direct borrowings are as follows:

| Year | GOVERNMENTAL ACTIVITIES | | | BUSINESS TYPE ACTIVITIES | | |
|-----------|-------------------------|-----------|------------|--------------------------|------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | 141,280 | 5,061 | 146,341 | 434,319 | 28,186 | 462,505 |
| 2025 | 121,976 | 3,334 | 125,310 | 382,369 | 22,294 | 404,663 |
| 2026 | 123,723 | 1,681 | 125,404 | 315,695 | 16,587 | 332,283 |
| 2027 | - | - | - | 64,270 | 11,143 | 75,413 |
| 2028 | - | - | - | 65,077 | 9,893 | 74,970 |
| 2029-2033 | - | - | - | 338,171 | 30,034 | 368,206 |
| 2034-2038 | - | - | - | 147,638 | 6,644 | 154,282 |
| 2039-2043 | - | - | - | - | - | - |
| | \$ 386,979 | \$ 10,076 | \$ 397,055 | \$ 1,747,540 | \$ 124,781 | \$ 1,872,321 |

At December 31, 2023 the City had \$3,279,631 in the Enterprise funds available for debt service.

Debt service for the LTGO bonds and governmental notes from direct borrowing are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds of the City with the exception of the 2021 LTGOB bond. The Public Facilities District (PFD) is obligated by inter-local agreement to pay the entire amount of the 2021 LTGOB debt service over the life of the bonds. (See Note 1). Debt service for the revenue bonds is paid by the Utility Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

In 2018 the PFD issued a 10-year Note to First Financial Northwest Bank (FFNB) in the amount of \$2,803,516. At the same time the City purchased an interest bearing Certificate of Deposit in the same amount, to be held by FFNB as collateral. Each time the PFD makes a principal payment on the loan, the City has the option to reduce the balance of the Certificate of Deposit by the amount of the principal payment. In the event that the PFD is unable to make a payment, the CLA requires that the City will loan the PFD enough for them to be able to make the required payment. The City has advanced funds in prior years to the PFD to assist them with debt service on the bonds. These advances are shown in the City's Statement of Net Position as a Due from Component Unit. The City believes that it is unlikely that it will be necessary to make additional loans to the PFD.

Debt Limit – RCW 39.36.020 provides cities with three segments of debt capacity, each equal to 2.5% of the city's assessed valuation, for a combined total of 7.5%. Allowable uses of these segments are as follows:

Segment 1 – General Governmental Purposes

The City can incur debt up to one and one-half percent (1.5%) of its assessed valuation solely with a vote of the legislative body (often referred to as "councilmanic" debt). To use the remaining one percent (1.0%), a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election is required.

Segment 2 – City-Owned Water and Sewer Purposes

The City can incur debt up to an additional two and one-half percent (2.5%) for water and sewer purposes with a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election.

Segment 3 – Acquiring and Developing Open Space, Parks Facilities, and Capital Facilities Associated with Economic Development

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic

development purposes with a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election.

Debt Limit Capacity

| Item | Governmental Purposes | | Water & Sewer Purposes | Park & Capital Facilities |
|------------------------------|------------------------|-----------------------|------------------------|---------------------------|
| | Without Vote | With Vote | With Vote | With Vote |
| | (Councilmanic) 1.5% | 2.5% | 2.5% | 2.5% |
| Legal Limits | \$ 233,588,061 | \$ 155,725,374 | \$ 389,313,435 | \$ 389,313,435 |
| Net outstanding indebtedness | (16,696,115) | - | - | - |
| Margin Available | <u>\$ 216,891,946</u> | <u>\$ 155,725,374</u> | <u>\$ 389,313,435</u> | <u>\$ 389,313,435</u> |

Refunded Debt

In prior years, the City has defeased the 2007 general obligation bond and several revenue bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were placed in the trust funds. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed from City financial statements.

In November 2021, the City issued general obligation bonds (LTGOA) to refund the 2011 revenue bonds. The City also issued LTGOB in November of 2021 to refund a portion of the 2012 LTGO debt issue that was attributable to the Public Facilities District (PFD). The LTGOA and LTGOB proceeds were used to purchase U.S. government and state and local government series securities that were placed in an irrevocable trust for the purposes of generating resources for all future debt services payments. As a result, the refunded bonds are considered defeased. The refunding offered the PFD the ability to extend the repayment schedule from December of 2026 to December of 2041 so that the PFD could take advantage of public facilities sales tax revenue. The City guaranteed repayment of these bonds by the PFD through a Contingent Loan Agreement (CLA) with the PFD and has advanced funds to them to assist with debt service on these bonds.

Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the City will be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

If Snohomish County finds that the City has failed to comply with the terms of the loan agreement, the County can declare the City in default and terminate the Agreement in whole. The City has 5 days from written notice to remedy said default. In the event the City fails to remedy the default, the County shall issue the City of Edmonds written notice of termination and declare the principle amount owing and interest due at the time to be immediately due and payable.

The Washington State Public Works Trust Fund loans will assess a daily penalty beginning on the 31st day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be 12% per annum calculated on a 360-day year for the delinquent amount.

The Washington State Department of Ecology loan will assess a late charge of one percent per month on the past due amount starting on the date the debt becomes past due and until it is paid in full. If the Department of Ecology initiates a termination event or a loan default event occurs, the Department of Ecology may at its sole discretion demand that the City repay the outstanding balance of the loan amount and all accrued interest. In the event of a default, the Department may declare the principal of and interest on the loan immediately due and payable.

Arbitrage – The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay investment income received at yields that exceed the issuer's borrowing rates to the United States Treasury. The liability is recorded at present value and payable every five years or 60 days after defeasance of the debt. At December 31, 2023, the City of Edmonds had no arbitrage liability.

Revenue Bond Debt Service Coverage – The required debt service coverage for the utility revenue bonds is 1.25.

NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2023, the following changes occurred in long-term liabilities.

| | Beginning Balance 1/1/2023 | Additions | Reductions | Ending Balance 12/31/2023 | Due Within One Year |
|--------------------------------------|----------------------------------|---------------------|-----------------------|---------------------------------|------------------------|
| Governmental activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 11,845,000 | \$ - | \$ (550,000) | \$ 11,295,000 | \$ 575,000 |
| Less: | | | | | |
| For issuance premiums | 914,815 | - | (49,732) | 865,083 | 49,732 |
| Total bonds payable: | 12,759,815 | - | (599,732) | 12,160,083 | 624,732 |
| Pension liabilities | 2,753,842 | | (79,973) | 2,673,869 | - |
| Total OPEB liability | 5,859,656 | 148,368 | - | 6,008,024 | 364,032 |
| Compensated absences | 2,745,822 | 3,279,985 | (2,719,305) | 3,306,502 | 951,205 |
| Lease Liability | 413,924 | 179,316 | (218,466) | 374,774 | 142,982 |
| SBITA Liability | - | 61,175 | - | 61,175 | 19,703 |
| Governmental notes-direct borrowing | 527,488 | - | (140,509) | 386,979 | 141,280 |
| Governmental activity | | | | | |
| long-term liabilities | <u>\$ 25,060,547</u> | <u>\$ 3,668,844</u> | <u>\$ (3,757,984)</u> | <u>\$ 24,971,406</u> | <u>2,243,934</u> |
| Business-type activities | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | 6,070,000 | \$ - | \$ (550,000) | \$ 5,520,000 | 580,000 |
| Revenue bonds | 41,955,000 | - | (840,000) | 41,115,000 | 875,000 |
| Less: | | | | | |
| For issuance premiums | 1,613,213 | - | (165,983) | 1,447,230 | 165,983 |
| For issuance discount | (149,139) | - | 6,484 | (142,655) | (6,484) |
| Total bonds payable: | 49,489,074 | - | (1,549,499) | 47,939,575 | 1,614,499 |
| Pension liabilities | 420,051 | 55,564 | - | 475,615 | - |
| Compensated absences | 362,176 | 556,909 | (483,541) | 435,544 | 169,143 |
| Lease Liability | 14,638 | 3,497 | (6,805) | 11,329 | 3,375 |
| SBITA Liability | - | - | - | - | - |
| Business-type notes-direct borrowing | 2,178,981 | - | (431,441) | 1,747,540 | 434,319 |
| Business-type activity | | | | | |
| long-term liabilities | <u>\$ 52,464,920</u> | <u>\$ 615,970</u> | <u>\$ (2,471,286)</u> | <u>\$ 50,609,603</u> | <u>2,221,336</u> |

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2023 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year-end internal service fund balances include \$172,785 for compensated absences and \$105,975 for the total pension obligation.

The General Fund is typically used to liquidate long-term liabilities other than debt.

The difference of \$6,576 between the 2022 Ending Balance and the 2023 Beginning Balance for Lease Liability is due to payment and incremental borrowing rate corrections in both the Governmental Activities and Business-Type Activities.

Note 14 - Leases

Leases Payable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The City leases facilities and office equipment under a variety of long-term, non-cancelable lease agreements. In accordance with GASB 87, the City records these right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. If not stated in the lease, the expected payments are discounted using the City's incremental borrowing rate.

Lease assets are reported by the City of Edmonds by major classes of the underlying asset, as follows:

Amount of Lease Assets by Major Classes of Underlying Asset

| Asset Class | As of Fiscal Year-end | |
|--------------|-----------------------|--------------------------|
| | Lease Asset Value | Accumulated Amortization |
| Equipment | 183,178 | 81,665 |
| Buildings | 317,446 | 94,139 |
| Other | 82,966 | 34,569 |
| Total Leases | 583,590 | 210,373 |

Principal and interest requirements by Business-type and Governmental Activities are as follows:

| Principal and Interest Requirements to Maturity | | | |
|---|--------------------------|-------------------|----------------|
| Fiscal Year | Business-Type Activities | | |
| | Principal Payments | Interest Payments | Total Payments |
| 2024 | 3,378 | 219 | 3,597 |
| 2025 | 3,446 | 151 | 3,597 |
| 2026 | 2,775 | 83 | 2,858 |
| 2027 | 1,736 | 20 | 1,756 |

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2024 | 142,921 | 1,819 | 144,740 |
| 2025 | 95,688 | 915 | 96,603 |
| 2026 | 64,381 | 496 | 64,878 |
| 2027 | 57,719 | 205 | 57,924 |
| 2028 | 14,059 | 9 | 14,069 |

Leases Receivable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City leases land and buildings for various purposes. The City records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. If not stated in the lease, the expected receipts are discounted using the City's incremental borrowing rate. Principal payments expected to maturity, broken out by business-type and governmental activities, are as follows:

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2024 | 166,770 | 1,177 | 167,947 |
| 2025 | 123,909 | 384 | 124,293 |

NOTE 15 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

Subscriptions Payable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

The City subscribes to software under a variety of long-term, non-cancelable subscription agreements. In accordance with GASB 96, the City records these right-to-use assets and subscription liabilities based on the present value of expected payments over the term of the respective subscriptions. If not stated in the subscription terms, the expected payments are discounted using the City's incremental borrowing rate.

Subscription assets are reported by the City of Edmonds by major classes of the underlying asset, as follows:

| Amount of Subscription Assets by Major Classes of Underlying Asset | | |
|--|--------------------------|--------------------------|
| Asset Class | As of Fiscal Year-end | |
| | Subscription Asset Value | Accumulated Amortization |
| Software | 120,399 | 45,221 |
| Total Subscriptions | 120,399 | 45,221 |

Principal and interest requirements by Business-type and Governmental Activities are as follows:

| Principal and Interest Requirements to Maturity | | | | |
|---|-------------------------|-------------------|--|----------------|
| Fiscal Year | Governmental Activities | | | Total Payments |
| | Principal Payments | Interest Payments | | |
| 2024 | 19,703 | 1,585 | | 21,288 |
| 2025 | 12,617 | 1,071 | | 13,688 |
| 2026 | 14,243 | 745 | | 14,989 |
| 2027 | 14,611 | 377 | | 14,989 |
| Total Principal Payments | 61,175 | | | |
| Cumulative Variance as of Fiscal Year | - | | | |
| Total Remaining Liability | 61,175 | | | |

NOTE 16 – CONTINGENCIES AND LITIGATIONS

Other Contingencies – The City has recorded in its financial statement all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes that it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims.

Grants – The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that any such disallowances, if any, will be immaterial.

State v Blake – In 2021, the Washington State Supreme Court held that the statute criminalizing drug possession is unconstitutional. The underlying RCW's determined to be unconstitutional by the Blake decision date back to 1971. In addition to receiving a vacate of their criminal conviction, Blake requires all legal financial obligations (LFO's) paid by an impacted individual tied to a Blake conviction be refunded. The Legislature has specified in a budget proviso that this amount includes collection costs. The city has been proactively reviewing potential Blake convictions.

The Legislature has appropriated funds to reimburse District and Municipal courts for the costs of processing the vacates and refunding of LFOs. Specifically, the Administrative Office of the Courts (AOC) will reimburse extraordinary judicial, prosecutorial, and defense related costs associated with vacating convictions applicable to the State v Blake decision. Additionally, AOC will reimburse District and Municipal Courts who have reimbursed or will reimburse LFOs to defendants whose convictions or sentences in Municipal Court are affected by the State v Blake decision. The Washington State Legislature has provided ample funding for the city to process vacations and refund LFOs on behalf of the state, including funding for FY 2023 and proviso language that suggests an ongoing state responsibility.

NOTE 17 – RISK MANAGEMENT

Property and Liability Insurance – The City of Edmonds is exposed to various risks of loss from torts; thefts of damage or destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters.

The City and its employees contribute to the State of Washington's Department of Labor and Industries for Workers' Compensation. There were no settlements in excess of coverage in any of the prior three years.

The City of Edmonds is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed the WCIA on January 1, 1981. The WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and jointly contracting for risk management services. WCIA has a total of 169 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security and privacy, events management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident member deductible.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. The City currently has no such assessments due to WCIA, and the City incurred no settlements in excess of coverage in any of the past three years.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the daily operations of WCIA.

Employee Benefit Trust Health Care Program – The City of Edmonds is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2023, 264 cities, towns, or non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. In April 2020, The Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims runout for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington

Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2.0 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board. In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 18 – COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2023, the City's outstanding material contractual obligations, which include construction and engineering contracts, are summarized below:

| Contract Name | Original Amount | Expenditures to Date | Remaining Commitment |
|---|------------------------|-----------------------------|-----------------------------|
| Solar Project | 685,243 | 559,135 | 126,108 |
| Police Parking Lot Fence | 374,828 | 7,676 | 367,152 |
| Fleet EV Charging | 412,056 | 405,564 | 6,493 |
| Carbon Recovery | 26,705,155 | 24,823,334 | 1,881,821 |
| Clarifier Project | 374,182 | 340,166 | 34,017 |
| Construction - Citywide Bike and Elm Walkway | 2,708,118 | 1,640,301 | 1,067,817 |
| PSA - Ph 4 CIPP | 98,559 | - | 98,559 |
| LAG Supplement 2 - 76th Overlay | 136,844 | 125,959 | 10,885 |
| LAG Supplement 7 - Hwy 99 Stg 2 | 2,225,191 | 2,097,328 | 127,863 |
| PSA Supplement 1 - Elm Way Walkway Project | 163,044 | 132,290 | 30,754 |
| PSA - design/CM svcs for Edmonds Marsh WQI project | 134,235 | 9,849 | 124,386 |
| LAG - Highway 99 Stg 3 professional services | 3,217,453 | 488,117 | 2,729,336 |
| LAG - Highway 99 Stg 4 professional services | 3,887,220 | 462,019 | 3,425,201 |
| LAG Supplement 1 - SR-104 Adaptive Systems | 350,758 | 195,865 | 154,893 |
| PSA - Phase 4 Stormwater Utility Replacement Project | 144,729 | 56,938 | 87,791 |
| PSA for Design Services for Lower Perrinville Creek Restoration Project | 906,919 | 99,639 | 807,280 |
| PSA Phase 10 Sanitary Sewer Replacement Project | 426,411 | 280,559 | 145,852 |
| Construction - 2023 Utility Replacement Project | 2,863,201 | 2,594,344 | 268,857 |
| PSA - 2023 Utility Replacement Project | 32,795 | 19,392 | 13,403 |
| PSA Amend 1 - Yost and Seaview Reservoir | 676,575 | 236,182 | 440,393 |
| LAG - Main St Overlay Project (design svcs) | 125,114 | 64,052 | 61,063 |
| PSA - spill kit program and dumpster outreach program | 33,172 | 19,860 | 13,312 |
| PSA Supplement 1 - Phase 11 Sanitary Sewer Replacement Project | 200,745 | 76,631 | 124,114 |
| PSA - Phase 14 Waterline Replacement Project | 125,200 | 58,579 | 66,621 |
| PSA - 2024 Overlay design services | 66,127 | 14,910 | 51,217 |
| PSA Storm & Surface Wtr Mgmt Comp Plan Update | 127,848 | 78,249 | 49,600 |
| Supplement #3 to LAG - 76th / 220th Intersection Improvement Project | 1,249,823 | 586,853 | 662,970 |
| PSA - Transportation Consulting for Bipartisan Infrastructure Bill | 20,000 | 19,974 | 26 |
| Civic Center Playfield Project - Landau | 109,432 | 103,941 | 5,491 |
| Civic Center Playfield - Landscape Architect | 1,564,590 | 1,562,242 | 2,348 |
| On-Call Design/Engineering Services | 97,500 | 63,518 | 33,982 |
| On-Call Land Surveying Services | 75,000 | 13,675 | 61,325 |
| On-Call Geotechnical Services | 30,000 | 13,270 | 16,730 |
| Johnson Property Demolition | 115,694 | 104,124 | 11,569 |
| Mee Property Environmental Consult. | 2,800 | - | 2,800 |
| Mee Property Survey Consult. | 9,670 | - | 9,670 |
| HVAC Maintenance | 7,868 | 1,967 | 5,901 |
| Oncall engineering services | 60,000 | - | 60,000 |
| Engineering Services for Construction Phase of c511 Project Phase B | 255,280 | 211,468 | 43,812 |
| Programming, Calibration. | 40,000 | 21,017 | 18,983 |
| Janitorial Services for the Treatment Plant | 49,000 | 29,185 | 19,815 |
| JOC program Administration | 30,000 | - | 30,000 |
| Agreement between City of Edmonds and City of Lynn. | 2,759,772 | - | 2,759,772 |
| Alderwood & Edmonds Water Supply Agreement | 2,398,000 | - | 2,398,000 |
| Emergency Intertie Agreement SPU & COE | 5,000 | - | 5,000 |
| Ultra Sonic Testing of Steel Reservoirs 1.5 & 3 MG | 17,558 | 10,667 | 6,891 |
| Annual Visual Inspect. of Roof interior of 1.5 MG | 18,322 | 10,535 | 7,787 |
| Wonderware SCADA Support | 2,900 | - | 2,900 |
| | \$ 56,119,930 | \$ 37,639,373 | \$ 18,480,557 |

Note 19 – Other Disclosures**Opioid Settlements**

The City of Edmonds, along with various cities, towns, and counties in Washington State has actively participated in various national and state opioid-related settlements. These settlements address the widespread impact of the opioid crisis and seek to provide financial resources for mitigation efforts. As part of these collective legal actions, the City of Edmonds is slated to receive a total settlement award of \$1,583,366. This sum will be disbursed in increments over a 17-year period.

FIREMEN'S PENSION FUND OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | | | | | | |
| Service Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 213,324 | 138,861 | 163,580 | 211,775 | 272,551 | 225,578 |
| Effect of Economic/Demographic (Gains) or Losses | (82,596) | - | (981,476) | - | - | - |
| Effect of Assumptions Changes or Inputs | 362,867 | (1,035,305) | (44,902) | 631,263 | 961,775 | (569,353) |
| Benefit Payments and Withdrawals | (345,227) | (372,061) | (374,262) | (355,049) | (338,445) | (388,253) |
| Net Change in Total OPEB Liability | 148,368 | (1,268,505) | (1,237,060) | 487,989 | 895,881 | (732,028) |
| Total OPEB Liability - Beginning | 5,859,656 | 7,128,161 | 8,365,221 | 7,877,232 | 6,981,351 | 7,713,379 |
| Total OPEB Liability - Ending | \$ 6,008,024 | \$ 5,859,656 | \$7,128,161 | \$8,365,221 | \$7,877,232 | \$6,981,351 |
| Covered Payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total OPEB Liability as a % of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* Until a full 10-year trend is compiled, only information for those years available is presented.

FIREMEN'S PENSION FUND
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 18,762 | 12,046 | 11,898 | 16,828 | 26,547 | 19,147 | 23,528 | 15,991 | 16,365 | 30,016 |
| Changes in Benefits Provided | - | - | - | - | - | - | - | 188,817 | - | - |
| Economic/Demographic | | | | | | | | | | |
| Gains or Losses | 118,779 | - | 26,732 | - | 67,664 | 96,849 | - | 17,054 | - | (256,011) |
| Changes in Actuarial Assumptions | 31,191 | (36,051) | 44,613 | 29,948 | (55,159) | (4,985) | 37,919 | (13,330) | - | (31,502) |
| Benefit Payments and Withdrawals | (70,052) | (86,137) | (65,711) | (61,740) | (119,116) | (53,203) | (48,062) | (27,936) | (26,175) | (24,481) |
| Net Change in Total Pension Liability | 98,680 | (110,142) | 17,532 | (14,964) | (80,064) | 57,808 | 13,385 | 180,596 | (9,810) | (281,978) |
| Total Pension Liability - Beginning | 535,003 | 645,145 | 627,613 | 642,577 | 722,641 | 664,833 | 651,448 | 470,852 | 480,662 | 762,640 |
| Total Pension Liability - Ending | \$ 633,683 | \$535,003 | \$645,145 | \$627,613 | \$642,577 | \$722,641 | \$664,833 | \$ 651,448 | \$470,852 | \$480,662 |
| Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$ - | \$ - | \$ - | \$ 15,000 | \$ 15,000 | \$ 39,297 | \$ 46,613 | \$ 47,449 | \$ 38,775 | \$ 21,581 |
| Contributions from State Fire Insurance | | | | | | | | | | |
| Premium Tax | 75,698 | 56,744 | 53,334 | 51,491 | 48,232 | - | - | - | - | - |
| Net Investment Income | - | - | - | 3,897 | 6,605 | 5,662 | 4,455 | 2,296 | 1,629 | 662 |
| Benefit Payments and Withdrawals | (70,052) | (86,137) | (65,711) | (61,740) | (119,116) | (53,203) | (48,062) | (27,936) | (26,175) | (24,481) |
| Medical payments from fund | (17,394) | (17,128) | (21,288) | (19,258) | (20,417) | - | - | - | - | - |
| Administrative Expenses | - | - | (11,500) | (1,007) | (1,269) | (538) | (1,222) | (214) | - | - |
| Other | - | - | - | - | - | - | - | - | 96 | - |
| Change in Fiduciary Net Position | (11,748) | (46,521) | (45,165) | (11,617) | (70,965) | (8,782) | 1,784 | 21,595 | 14,325 | (2,238) |
| Fiduciary Net Position - Beginning | 43,430 | 89,951 | 135,116 | 146,733 | 217,698 | 226,480 | 224,696 | 203,101 | 188,776 | 191,014 |
| Fiduciary Net Position - Ending | \$ 31,682 | \$ 43,430 | \$ 89,951 | \$135,116 | \$146,733 | \$217,698 | \$226,480 | \$ 224,696 | \$203,101 | \$188,776 |
| Net Pension Liability | \$ 602,001 | \$491,573 | \$555,194 | \$492,497 | \$495,844 | \$504,943 | \$438,353 | \$ 426,752 | \$267,751 | \$291,886 |
| Fiduciary Net Position as a % of the | | | | | | | | | | |
| Total Pension Liability | 5.0% | 8.1% | 13.9% | 21.5% | 22.8% | 30.1% | 34.1% | 34.5% | 43.1% | 39.3% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Liability as a % of | | | | | | | | | | |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**FIREMEN'S PENSION FUND
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| Year | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percent of Covered Payroll | Annual Money Weighted Rate of Return Net of Investment Expense |
|------|---|------------------------|--|----------------------------------|--|--|
| 2023 | \$ 137,000 | \$ 58,304 | \$ 78,696 | \$ - | N/A | - % |
| 2022 | 93,000 | 39,616 | 53,384 | - | N/A | - |
| 2021 | 100,000 | 20,546 | 79,454 | - | N/A | - |
| 2020 | 82,874 | 47,233 | 35,641 | - | N/A | 2.88 |
| 2019 | 82,874 | 42,815 | 40,059 | - | N/A | 3.75 |
| 2018 | 43,194 | 39,297 | 3,897 | - | N/A | 2.58 |
| 2017 | 43,194 | 46,613 | (3,419) | - | N/A | 1.99 |
| 2016 | 25,353 | 47,449 | (22,096) | - | N/A | 1.08 |
| 2015 | 25,353 | 38,775 | (13,422) | - | N/A | 0.83 |
| 2014 | 44,223 | 21,581 | 22,642 | - | N/A | 0.35 |

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITOR'S REPORT)

PERS 1

| Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll | Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) |
|------|---|---|----------------------------------|--|---|
| 2023 | 0.111598% | \$ 2,547,483 | \$ 20,117,577 | 12.66% | 80.16% |
| 2022 | 0.096335% | 2,682,320 | 15,136,439 | 17.72% | 76.56% |
| 2021 | 0.098153% | 1,198,678 | 14,572,391 | 8.23% | 88.74% |
| 2020 | 0.097758% | 3,451,385 | 14,373,946 | 24.01% | 68.64% |
| 2019 | 0.097960% | 3,766,920 | 13,393,923 | 28.12% | 67.12% |
| 2018 | 0.090868% | 4,058,195 | 12,701,466 | 31.95% | 63.22% |
| 2017 | 0.109876% | 5,213,702 | 13,404,013 | 38.90% | 61.24% |
| 2016 | 0.101894% | 5,472,188 | 14,068,530 | 38.90% | 57.03% |
| 2015 | 0.101786% | 5,324,534 | 13,688,460 | 38.90% | 59.10% |

Notes to Schedule:

*Information is presented only for those years for which information is available.

PERS 2/3

| Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll | Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) |
|------|---|---|----------------------------------|--|---|
| 2023 | 0.141703% | \$ (5,807,957) | \$ 20,012,402 | -29.02% | 107.02% |
| 2022 | 0.119425% | (4,429,212) | 14,881,608 | -29.76% | 106.73% |
| 2021 | 0.119926% | (11,946,559) | 14,300,600 | -83.54% | 120.29% |
| 2020 | 0.120113% | 1,536,177 | 14,092,149 | 10.90% | 97.22% |
| 2019 | 0.119772% | 1,163,393 | 13,101,081 | 8.88% | 97.77% |
| 2018 | 0.109886% | 1,876,206 | 12,370,371 | 15.17% | 95.77% |
| 2017 | 0.133191% | 4,627,751 | 13,053,673 | 35.45% | 90.97% |
| 2016 | 0.121658% | 6,125,384 | 12,502,808 | 48.99% | 85.82% |
| 2015 | 0.121602% | 4,344,909 | 11,627,811 | 37.37% | 89.20% |

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITOR'S REPORT)

LEOFF 1

| Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer | Total | Employer's Covered Payroll |
|------|--|--|--|-----------------|----------------------------------|
| 2023 | 0.057007% | \$ (1,691,981) | \$ (11,444,520) | \$ (13,136,501) | \$ - |
| 2022 | 0.056145% | (1,610,583) | (10,893,942) | (12,504,525) | - |
| 2021 | 0.055212% | (1,891,321) | (12,792,850) | (14,684,171) | - |
| 2020 | 0.055457% | (1,047,310) | (7,083,982) | (8,131,292) | - |
| 2019 | 0.053590% | (1,059,266) | (7,164,848) | (8,224,114) | - |
| 2018 | 0.053132% | (964,613) | (6,524,615) | (7,489,228) | - |
| 2017 | 0.055859% | (847,504) | (5,732,485) | (6,579,989) | - |
| 2016 | 0.055141% | (568,110) | (5,363,896) | (5,932,006) | - |
| 2015 | 0.054022% | (651,084) | (5,125,471) | (5,776,555) | - |
| | Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | | |
| 2023 | 0.00% | 175.99% | | | |
| 2022 | 0.00% | 169.62% | | | |
| 2021 | 0.00% | 187.45% | | | |
| 2020 | 0.00% | 146.88% | | | |
| 2019 | 0.00% | 148.78% | | | |
| 2018 | 0.00% | 144.42% | | | |
| 2017 | 0.00% | 135.96% | | | |
| 2016 | 0.00% | 123.74% | | | |
| 2015 | 0.00% | 127.36% | | | |

Notes to Schedule:

*Information is presented only for those years for which information is available.

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITOR'S REPORT)

LEOFF 2

| Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer | Total | Employer's Covered Payroll |
|------|---|---|--|----------------|----------------------------------|
| 2023 | 0.172197% | \$ (4,130,314) | \$ (2,637,576) | \$ (6,767,890) | \$ 7,637,773 |
| 2022 | 0.173270% | (4,708,955) | (3,050,359) | (7,759,314) | 7,040,263 |
| 2021 | 0.179760% | (10,441,205) | (6,735,717) | (17,176,922) | 6,588,759 |
| 2020 | 0.176926% | (3,609,032) | (2,307,703) | (5,916,735) | 6,654,735 |
| 2019 | 0.192032% | (4,448,792) | (2,913,363) | (7,362,155) | 6,764,235 |
| 2018 | 0.180721% | (3,669,030) | (797,902) | (4,466,932) | 6,513,429 |
| 2017 | 0.201856% | (2,801,107) | (545,988) | (3,347,095) | 3,524,363 |
| 2016 | 0.184178% | (1,071,235) | (229,538) | (1,300,773) | 3,059,830 |
| 2015 | 0.183336% | (1,884,327) | (409,091) | (2,293,418) | 2,861,034 |
| | <u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> | | | |
| 2023 | -54.08% | 113.17% | | | |
| 2022 | -66.89% | 116.09% | | | |
| 2021 | -158.47% | 142.00% | | | |
| 2020 | -54.23% | 115.83% | | | |
| 2019 | -65.77% | 119.43% | | | |
| 2018 | -56.33% | 118.50% | | | |
| 2017 | -79.48% | 113.36% | | | |
| 2016 | -35.01% | 106.04% | | | |
| 2015 | -65.86% | 111.67% | | | |

Notes to Schedule:

*Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS***

PERS 1

| Year | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percent of Covered Payroll |
|------|---|--|--|----------------------------------|--|
| 2023 | \$ 736,407 | (736,407) | - | \$ 21,624,118 | 3.41% |
| 2022 | 644,812 | (644,812) | - | 16,746,373 | 3.85% |
| 2021 | 653,722 | (653,722) | - | 14,769,812 | 4.43% |
| 2020 | 719,557 | (719,557) | - | 14,529,989 | 4.95% |
| 2019 | 710,800 | (710,800) | - | 13,939,730 | 5.10% |
| 2018 | 676,511 | (676,511) | - | 12,882,202 | 5.25% |
| 2017 | 639,839 | (639,839) | - | 12,597,735 | 5.08% |
| 2016 | 620,544 | (620,544) | - | 12,099,373 | 5.13% |
| 2015 | 583,605 | (583,605) | - | 11,674,157 | 5.00% |

Notes to Schedule:

* Information is presented only for those years for which information is available.

PERS 2/3

| Year | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percent of Covered Payroll |
|------|---|--|--|----------------------------------|--|
| 2022 | \$ 1,375,297 | \$ (1,375,297) | \$ - | \$ 21,624,118 | 6.36% |
| 2022 | 1,050,442 | (1,050,442) | - | 16,516,351 | 6.36% |
| 2021 | 1,035,366 | (1,035,366) | - | 14,495,277 | 7.14% |
| 2020 | 1,128,159 | (1,128,159) | - | 14,244,396 | 7.92% |
| 2019 | 1,054,573 | (1,054,573) | - | 13,663,708 | 7.72% |
| 2018 | 942,080 | (942,080) | - | 12,560,116 | 7.50% |
| 2017 | 842,249 | (842,249) | - | 12,270,542 | 6.86% |
| 2016 | 743,678 | (743,678) | - | 11,845,981 | 6.28% |
| 2015 | 710,849 | (710,849) | - | 11,203,929 | 6.34% |

Notes to Schedule:

* Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS***

LEOFF 1

| Year | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percent of Covered Payroll |
|------|---|--|--|----------------------------------|--|
| 2023 | \$ - | \$ - | \$ - | \$ - | 0.00% |
| 2022 | - | - | - | - | 0.00% |
| 2021 | - | - | - | - | 0.00% |
| 2020 | - | - | - | - | 0.00% |
| 2019 | - | - | - | - | 0.00% |
| 2018 | - | - | - | - | 0.00% |
| 2017 | - | - | - | - | 0.00% |
| 2016 | - | - | - | - | 0.00% |
| 2015 | - | - | - | - | 0.00% |

Notes to Schedule:

* Information is presented only for those years for which information is available.

LEOFF 2

| Year | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percent of Covered Payroll |
|------|---|--|--|----------------------------------|--|
| 2023 | \$ 409,234 | \$ (409,234) | \$ - | \$ 7,992,964 | 5.12% |
| 2022 | 384,710 | (384,710) | - | 7,512,038 | 5.12% |
| 2021 | 339,281 | (339,281) | - | 6,588,759 | 5.15% |
| 2020 | 360,086 | (360,086) | - | 6,991,945 | 5.15% |
| 2019 | 354,709 | (354,709) | - | 6,769,231 | 5.24% |
| 2018 | 180,384 | (180,384) | - | 6,552,661 | 2.75% |
| 2017 | 176,008 | (176,008) | - | 6,142,987 | 2.87% |
| 2016 | 154,521 | (154,521) | - | 3,059,830 | 5.05% |
| 2015 | 144,483 | (144,483) | - | 2,861,034 | 5.05% |

Notes to Schedule:

* Information is presented only for those years for which information is available.

City of Edmonds
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|---------------|-------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|-------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington Recreation and Conservation Office) | Outdoor Recreation Acquisition, Development and Planning | 15.916 | P19AP00198 | 135,000 | - | 135,000 | - | 1,2 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUL-HLP- 0099(148) | 393,103 | - | 393,103 | - | 1,2 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUL-2509 (001) | 68,614 | - | 68,614 | - | 1,2 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | SRTS-0365 (013) | 33,551 | - | 33,551 | - | 1,2,4 |
| Total ALN 20.205: | | | | 495,268 | - | 495,268 | - | |
| Highway Safety Cluster | | | | | | | | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 14,928 | - | 14,928 | - | 1,2 |

The accompanying notes are an integral part of this schedule.

City of Edmonds
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

| | Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note | |
|---|---|---|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------|---------------------------------------|------|--|
| | | | | | From Pass- Through Awards | From Direct Awards | Total | | | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs) | | State and Community Highway Safety | 20.600 | N/A | 31,313 | - | 31,313 | - | 1,2 | |
| | | | Total Highway Safety Cluster: | | | | | 46,241 | - | |
| | | | 21.027 | 22-96720-210 | 1,361,011 | - | 1,361,011 | - | 1,2 | |
| DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington DOC) | | COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | N/A | 2,261,508 | - | 2,261,508 | 886,240 | 1,2 | |
| DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State OFM) | | COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | N/A | 2,261,508 | - | 2,261,508 | 886,240 | 1,2 | |
| | | | Total ALN 21.027: | | 3,622,519 | - | 3,622,519 | 886,240 | | |
| | | | Total Federal Awards Expended: | | 4,299,028 | - | 4,299,028 | 886,240 | | |

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Edmonds' financial statements. The City uses the modified accrual accounting method which is followed in all government funds, expendable trust, and agency funds and the full accrual accounting method in its proprietary funds.

NOTE 2 – INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 – PRIOR YEAR EXPENSES REPORTED

Expenses from prior years in the amount of \$32,591 for the final close-out costs for the Citywide Pedestrian Crossing Enhancements project.

CITY OF EDMONDS121 5th Avenue North, Edmonds, WA 98020(425) 771-0240 | www.edmondswa.gov**ADMINISTRATIVE SERVICES DEPARTMENT****CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE****City of Edmonds****January 1, 2023 through December 31, 2023**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

| | |
|---|--|
| Finding ref number: 2023-001 | Finding caption: The City did not have adequate internal controls for ensuring compliance with federal requirements for procurement and subrecipient monitoring and it did not comply with federal procurement requirements. |
| Name, address, and telephone of City contact person: Richard Gould, Finance Director 121 5 th Ave N Edmonds, WA 98020 (425) 275-4688 ext. 1293 | |
| <i>Corrective action the auditee plans to take in response to the finding:</i> <i>Corrective Action Plan - Subrecipient Monitoring Finding</i> <i>The City acknowledges the audit findings and recognizes the importance of strengthening internal monitoring practices to ensure full alignment with federal requirements. While there may be additional context to consider regarding the specific circumstances, we appreciate the opportunity to clarify those details and outline the corrective actions that have been taken and are planned.</i> | |

Subrecipient #1 – Edmonds College

One of the subrecipients noted in the finding is a public higher education institution operating under the State Board for Community and Technical Colleges (SBCTC). The subrecipient administered the Student Emergency Assistance Grant (SEAG) in accordance with state guidelines that emphasize low-barrier, equity-focused access to emergency aid. These guidelines intentionally discourage requiring extensive documentation from students and instead rely on:

- Written applications and student interviews*
- Internal verification using the college's ctclink student system*
- Program-level data tracking through financial aid systems*
- Quarterly reporting to the City, which was submitted*

Due to FERPA protections, the college was limited in the level of personal data it could share externally without student consent. While this model limited the City's ability to independently audit eligibility at the individual level, it is consistent with the state's recognized approach to supporting systemically disadvantaged students and aligns with SEAG Program principles. The City accepted this structure as appropriate during the agreement period.

Subrecipient #2 – Washington Kids in Transition

For the second subrecipient, the City followed its standard internal audit process, which includes a quarterly review of 10% of submitted invoices to validate eligibility and ensure federal program compliance. After completing the first-quarter audit, the City identified concerns related to the supporting documentation for certain grant disbursements. In response:

- The City escalated oversight and required the subrecipient to submit documentation for 100% of invoices from May through July, encompassing both Q2 and Q3.*
- Concurrently, the City became aware that the subrecipient had not initiated or completed a Single Audit for FY2023. Upon learning that the audit would not be submitted by the federal deadline (September 30), the City immediately ceased all grant funding and closed the program.*
- Though additional invoices were received in August and September, the City determined that the heightened audit activity from May through July had addressed the prior concerns. Q3 was considered to have been appropriately audited, and no further audit was conducted for the final period. The City has not resumed any partnership with this entity since September 2024.*
- The subrecipient ultimately declined to obtain the required Single Audit for FY2023 and FY2024.*

Review of Prior – Year Subrecipient Audit Requirements

As part of the City's monitoring efforts for subrecipients from previous fiscal years, the Deputy Director of Finance at the time requested Single Audit reports directly from the two college subrecipients and was ultimately able to obtain the reports through the

Federal Audit Clearinghouse (FAC). While the City does not have documentation to confirm this process, it was discussed during internal meetings that the reports had been reviewed, and this task was considered complete at the time.

Of the four subrecipients referenced in the audit, the third was a nonprofit organization for which the Deputy Director reviewed publicly available financial records. Based on that review, it was determined the organization did not meet the \$750,000 federal expenditure threshold and was therefore not subject to a Single Audit. The fourth subrecipient, the entity that did not complete the required audit, was addressed in the corrective actions outlined above.

Planned and Ongoing Corrective Actions

To strengthen subrecipient oversight moving forward, the City is implementing the following corrective actions:

- Updated Subrecipient Agreements: All future contracts will include specific and detailed language regarding audit thresholds, access to documentation, and monitoring expectations, including reference to Uniform Guidance requirements.*
- Audit Verification Procedures: The City will implement a documented protocol for tracking and verifying Single Audits for any subrecipient receiving \$750,000 or more in federal funds.*
- Monitoring Documentation: The City will maintain written records of all monitoring activities, including eligibility reviews, audit follow-up, and subrecipient communication.*
- Staff Training and Process Improvements: Staff responsible for subrecipient oversight will receive updated training on monitoring standards, documentation expectations, and federal compliance protocols.*

These actions will be implemented prior to any future program launches involving subawards of federal funds and will also apply to the monitoring of any current active grants. Although no additional funding of this type was issued in 2024, the City will be subject to audit for this period and will ensure compliance with all applicable requirements, including collecting the FY2024 Single Audit reports as required.

Corrective Action Plan – Procurement

"The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative."

Our response to the auditor's statements regarding the vehicles purchased with ARPA funds are as follows.

"The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative."

- *The City's Purchasing Policy addresses requirements for "piggybacking" and purchasing through a Cooperative in section 13.0 Interlocal Agreements. However, the City should update the Purchasing Policy section 11.0 Procurement Using Federal Funds to include the same language that specifies the process of Interlocal and Cooperative agreements, or "piggybacking".*
- *As stated in the auditor's draft notification, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as "piggybacking". This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking, the entity must enter into an agreement before it purchases services or goods from another entity's contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.*

To ensure compliance,

- *Although the city did confirm that the vendor followed their own bid law requirements, the City will do a better job documenting that verification in any future equipment purchases using federal funding.*

Anticipated date to complete the corrective action: Completed

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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.

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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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