



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Edmonds

Snohomish County

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017636





Washington State Auditor's Office

September 29, 2016

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 condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Edmonds
Snohomish County
January 1, 2015 through December 31, 2015**

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 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 reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no 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 no 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>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

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

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Edmonds Snohomish County January 1, 2015 through December 31, 2015

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Edmonds. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2014 through December 31, 2014	Report Ref. No: 1015077	Finding Ref. No: 2014-001	CFDA Number: 20.205
Federal Program Name and Granting Agency: Highway Planning and Construction, Department of Transportation Federal Highway Administration (FHWA)		Pass-Through Agency Name: Washington State Department of Transportation	
Finding Caption: The City's internal controls over capital assets are inadequate to ensure accurate reporting.			
Background: <p>During our audit, we noted that the City's Accounting Department relied on information provided by the Public Works Department to determine when the City should capitalize a project. However, Inadequate communication between City departments resulted in not all staff being aware of the guidelines used to determine when a capital project is substantially complete and should be capitalized in the City's accounting system. Instead, Public Works staff waited until the project was fully completed.</p> <p>Further, the City's Accounting Department sent out a capital asset listing from a software program to the different departments to identify if the assets are still in service. However, the City's Accounting Department maintains an additional listing of capital infrastructure assets with an ending book value of \$18,699,648 as of December 31, 2014. This listing was not reviewed or reconciled to ensure that all infrastructure reported on the financial statements existed as of the financial statements year-end.</p>			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <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> </div>			
Corrective Action Taken: <i>We believe that we have fully corrected the issues surrounding this finding. 1st, we are now coordinating with our Public Works Department when they are completing their capital projects so that we start the capitalization process more timely. Public Works will notify Finance when their projects are substantially complete. 2nd, Finance is now asking departments to review and reconcile all assets on the capital listing, including infrastructure assets each year when they complete their capital asset inventories.</i>			

**INDEPENDENT AUDITOR'S 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
Snohomish County
January 1, 2015 through December 31, 2015**

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, Snohomish County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated August 30, 2016.

COMPLIANCE AND OTHER MATTERS

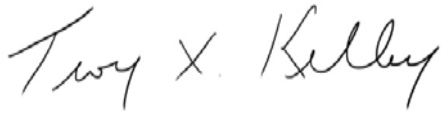
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 30, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Edmonds
Snohomish County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Edmonds
Edmonds, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Edmonds, Snohomish County, Washington, with the types of compliance requirements described 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, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

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, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

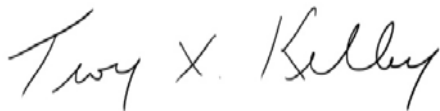
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 23, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Edmonds Snohomish County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Edmonds
Edmonds, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, Snohomish County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 17.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 29, information on postemployment benefits other than pensions on page 90 and pension plan information on pages 88 through 89 and pages 91 through 96 be presented to supplement the basic financial statements. Such information, 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.

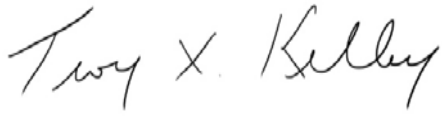
Supplementary and Other Information

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 schedule 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016 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 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 30, 2016

FINANCIAL SECTION

City of Edmonds Snohomish County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Firefighters' Pension Fund – 2015

Schedule of Investment Returns – Firefighters' Pension Fund – 2015

Schedule of Funding Progress – LEOFF 1 Retiree Medical and Long Term Care Benefits – 2015

Schedules of Employer's Proportionate Share of the Net Pension Liability – State Sponsored Plans – 2015

Schedules of Employer Contributions – State Sponsored Plans – 2015

Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters' Pension Fund – 2015

Notes to Required Supplemental Information – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Edmonds (City) presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2015. The City's discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the City's financial activity
- Identify changes in the City's financial position (its ability to meet future years' challenges)
- Identify any material deviations from the approved budget
- Identify individual fund issues or concerns

Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the Transmittal Letter and the City's financial statements.

Financial Highlights

- At December 31, 2015 the City's net position, the amount by which total assets exceeded total liabilities, totaled \$156.3 million. Of this amount, \$111.5 million is invested in capital assets, such as land, buildings, and infrastructure net of related debt, \$9.1 million is restricted for debt service, construction, and various other purposes and the remaining Net Position of \$35.7 million is unrestricted.
- The City's total net position improved by \$1.9 million in 2015. Governmental activities increased by \$3.5 million and business-type activities decreased by \$1.6 million.
- Governmental funds reported a combined ending fund balance of \$23.5 million; a \$3.3 million improvement over the prior year. Of this amount, \$15.8 million is unassigned and available to fund ongoing activities. The 2015 unassigned fund balance increased \$2.2 million over 2014 and equals 46.2% of 2015 general fund expenditures.
- Total capital assets increased by \$7.7 million in 2015.
- Total debt increased by a net of \$14.8 million during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year-end totaled \$60.5 million.

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.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Edmonds 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.

In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Statement of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all Non-Major Proprietary Funds. The other set of supplementary information is the Statistical Section. This section provides multi-year views of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of Edmonds. This section provides a long-term perspective on the City's economy.

Government-wide Financial Statements

The **government-wide financial statements** are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the City.

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 combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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** is focused on 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 user'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 on 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, 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 (EPFD), a performing arts center in Edmonds, and the EPFD's blended component unit, the Edmonds Center for the Arts (ECA), a non-profit established to collect donations and manage the operations for the EPFD. Although legally separate, the EPFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

Fund Financial Statements

The fund financial statements will look familiar to the traditional users of governmental financial statements. However, the focus now is on major funds rather than fund types. Individual funds are used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary 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 what financial resources are available in the near future to finance the City's 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 nonmajor funds is presented in the aggregate.

The City's main operating fund is the General Fund. However, the City maintains many accounts and six subfunds within the General Fund. The City's other major governmental fund is the Street Construction Fund. The remaining governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for each of the nonmajor governmental funds can be found in combining statements later in this report.

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

The basic governmental fund financial statements can be found after the government-wide statements of this report.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, 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 to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The enterprise fund statements provide information for the City's water, sewer, and storm water utilities. The City uses an internal service fund to account for its fleet of vehicles. 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.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position as part of the basic financial statements.

The basic fiduciary fund financial statements can be found following the proprietary 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 a schedule of funding progress for the Firemen's Pension Trust Fund and other post-employment benefits. Additional pension benefit information is found in note 11.

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 improving financial condition. The following tables address the financial results of the City as a whole.

The following table is a condensed version of the 2015 government-wide statement of net position with a comparison to 2014:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$33,934,953	\$30,254,266	\$25,015,613	\$23,577,079	\$ 58,950,566	\$ 53,831,345
Capital assets(net)	78,639,860	72,680,239	100,476,035	82,397,857	179,115,895	155,078,096
Total assets	112,574,813	102,934,505	125,491,648	105,974,936	238,066,461	208,909,441
Deferred outflows of resources						
Debt refunding	-	-	149,864	171,283	149,864	171,283
Pensions	1,262,716	-	344,155	-	1,606,871	-
Total assets and deferred outflows	113,837,529	102,934,505	125,985,667	106,146,219	239,823,196	209,080,724
Current and other liabilities	2,647,860	6,199,214	2,423,335	3,109,405	5,071,195	9,308,619
Long-term liabilities	22,584,309	13,400,248	53,527,329	31,816,627	76,111,638	45,216,875
Total liabilities	25,232,169	19,599,462	55,950,664	34,926,032	81,182,833	54,525,494
Deferred inflows of resources						
Debt refunding	150,522	159,930	63,854	72,976	214,376	232,906
Pensions	1,746,212	-	389,991	-	2,136,203	-
Total Liabilities and deferred inflows of resources	27,128,903	19,759,392	56,404,509	34,999,008	83,533,412	54,758,400
NET POSITION						
Net investment in capital assets	63,194,059	57,181,069	48,262,943	49,313,852	111,457,002	106,494,921
Restricted	6,157,408	5,989,155	2,984,388	3,574,774	9,141,796	9,563,929
Unrestricted	17,357,161	20,004,889	18,333,825	18,258,585	35,690,986	38,263,474
Total net position	\$86,708,628	\$83,175,113	\$69,581,156	\$71,147,211	\$156,289,784	\$154,322,324

Analysis of Net Position

Total net position of the primary government of \$156.3 million (assets in excess of liabilities) at December 31, 2015 improved by \$1.9 million or 1.6% compared to December 31, 2014. Governmental activities increased net position by \$3.5 million and business-type activities decreased net position by \$1.6 million.

The largest component of the City's net position, \$111.5 million, or 71%, is its investment in capital assets, less debt related to the acquisition or construction of those assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide services to the citizens. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations.

Approximately \$9.1 million of the primary government's total net position are restricted for debt service payments, transportation improvements, and other purposes and unrestricted net position totals \$35.7 million. The business-type unrestricted assets of \$18.3 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$17.4 million to meet ongoing obligations to citizens and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of these resources for future use.

Unrestricted net position of the City's business-type activities totals \$18.3 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.

Restricted governmental fund net position is \$6.2 million and is restricted for purposes such as debt service, public safety, transportation, culture and recreation, and other purposes.

The remaining \$17.4 million of governmental fund unrestricted net position may be used for functions such as general government employee salaries and supplies, park and road maintenance, and police services.

Changes in Net Position

The change in net position represents the increase or decrease in City net position resulting from its various activities.

Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses and related changes in net position for both governmental-type and business-type activities:

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 9,442,468	\$ 9,749,244	\$ 19,094,173	\$ 17,821,867	\$ 28,536,641	\$ 27,571,111
Operating grants and contributions	267,915	227,233	58,129	88,835	326,044	316,068
Capital grants and contributions	6,824,847	3,238,733	1,862,860	2,164,571	8,687,707	5,403,304
General revenues:						
Property taxes	14,289,877	13,767,675	-	-	14,289,877	13,767,675
Sales taxes	7,567,383	6,694,501	-	-	7,567,383	6,694,501
Interfund utility taxes	2,031,530	1,861,588	-	-	2,031,530	1,861,588
Utility taxes	4,617,634	4,721,919	-	-	4,617,634	4,721,919
Excise taxes	5,250,216	4,226,106	-	-	5,250,216	4,226,106
Interest and investment earnings	174,738	125,922	135,586	62,822	310,324	188,744
Miscellaneous	536,434	371,093	-	-	536,434	371,093
Gain on sales of capital assets	96,487	26,513	6,994	-	103,481	26,513
Total revenues	51,099,530	45,010,527	21,157,742	20,138,095	72,257,272	65,148,622
EXPENSES						
Governmental activities:						
General government	\$9,836,339	7,773,797	-	-	9,836,339	7,773,797
Public safety	19,454,123	19,044,595	-	-	19,454,123	19,044,595
Utilities and environment	158,773	1,800,507	-	-	158,773	1,800,507
Transportation	6,314,909	4,997,331	-	-	6,314,909	4,997,331
Economic environment	1,424,538	1,347,590	-	-	1,424,538	1,347,590
Mental and physical health	69,762	52,641	-	-	69,762	52,641
Culture and recreation	4,800,710	4,217,206	-	-	4,800,710	4,217,206
Interest on long-term debt	190,898	292,068	-	-	190,898	292,068
Business-Type activities:						
SEWER FUND	-	-	9,503,685	8,179,251	9,503,685	8,179,251
STORM FUND	-	-	3,677,867	3,106,830	3,677,867	3,106,830
WATER FUND	-	-	6,872,035	6,272,526	6,872,035	6,272,526
Total expenses	42,250,053	39,525,735	20,053,587	17,558,607	62,303,640	57,084,342
Change in net position before transfers	8,849,477	5,484,792	1,104,155	2,579,488	9,953,632	8,064,280
Transfers	7,901	6,702	(7,901)	(6,702)	-	-
Change in net position	8,857,378	5,491,494	1,096,254	2,572,786	9,953,632	8,064,280
Net position - beginning	83,175,112	85,441,993	71,147,212	68,574,425	154,322,324	154,016,418
Change in accounting principle	(5,323,862)	(7,758,374)	(2,662,310)	-	(7,986,172)	(7,758,374)
Net position - end of period	\$ 86,708,628	\$ 83,175,113	\$ 69,581,156	\$ 71,147,211	\$ 156,289,784	\$ 154,322,324

Analysis of the Changes in Net Position

Total government-wide revenues of the primary government increased \$3.5 million or 10.9% and total expenses increased \$5.2 million or 9.1% for the prior year. These changes are discussed in more detail below.

Governmental Activities:

Net position for Governmental activities increased \$3.5 million, while the total change in net position of the primary government increased \$2.0 million. These increases are due to revenues exceeding expenses.

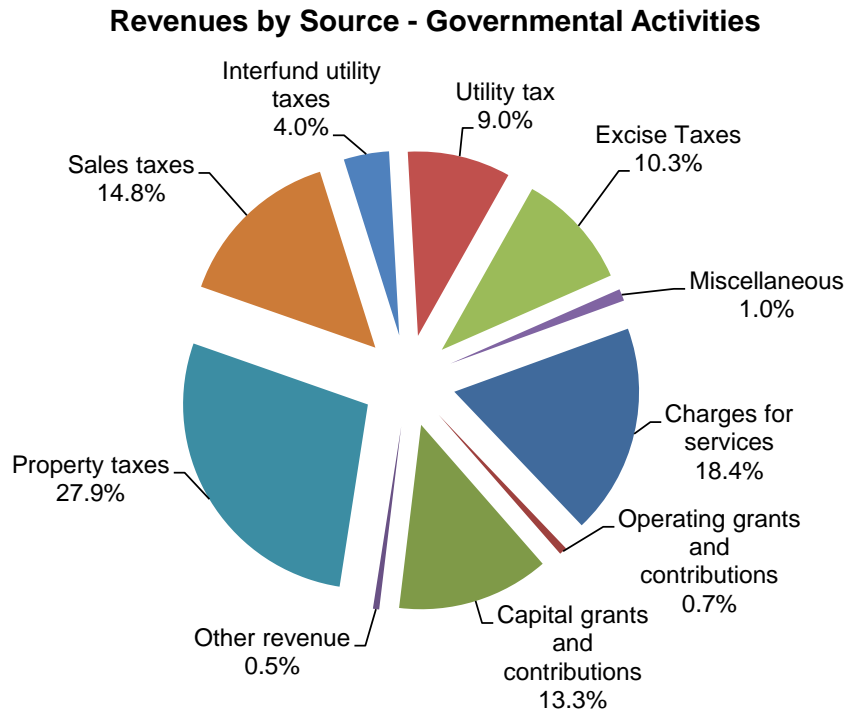
Total expenses for governmental activities increased \$2.7 million or 6.9%. The increase is mainly due to increased spending on transportation initiatives in the City. A large portion of the increased spending was offset by

increases in tax revenues, development related revenues and grant revenues. Governmental activity revenues increased by \$6.1 million, or 13.5% over 2014:

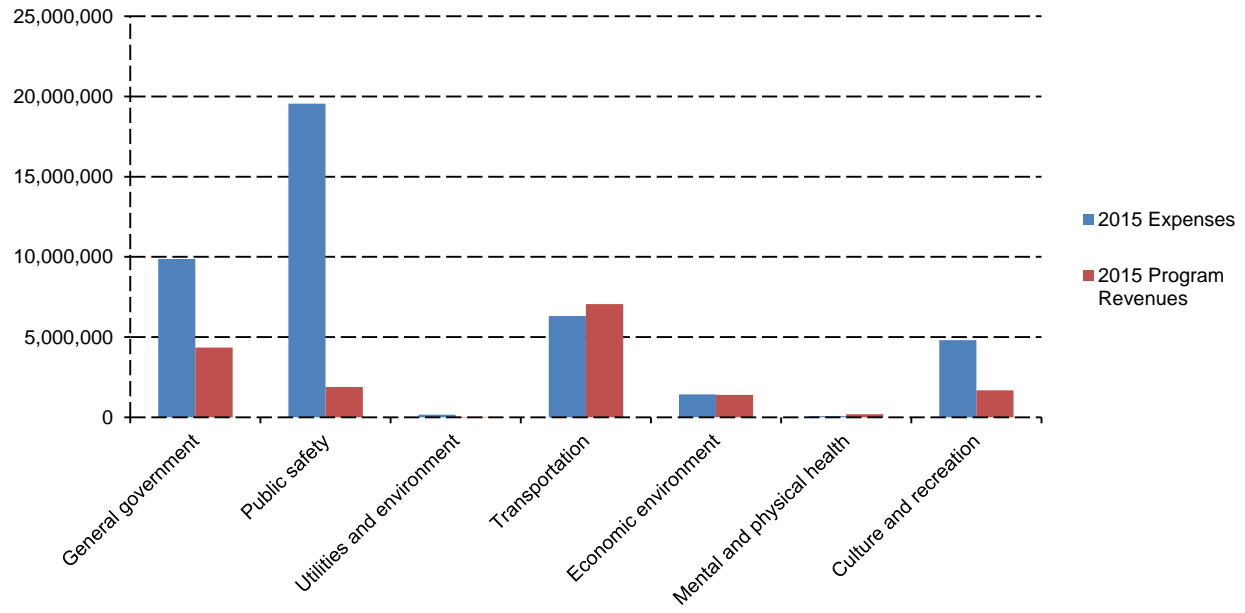
- Property tax revenue increased \$522,202, or 3.8% over 2014,
- Sales tax collections increased by \$872,882, or 13.0%,
- Excise taxes increased by \$1.0 million or 24.2%, and
- Charges for services decreased \$306,776, or 3.1%. This change is due mainly to a decrease in development related revenues.

The next chart summarizes 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.

Revenues by Source - Governmental Activities



2015 Expenses and Program Revenues - Governmental Activities



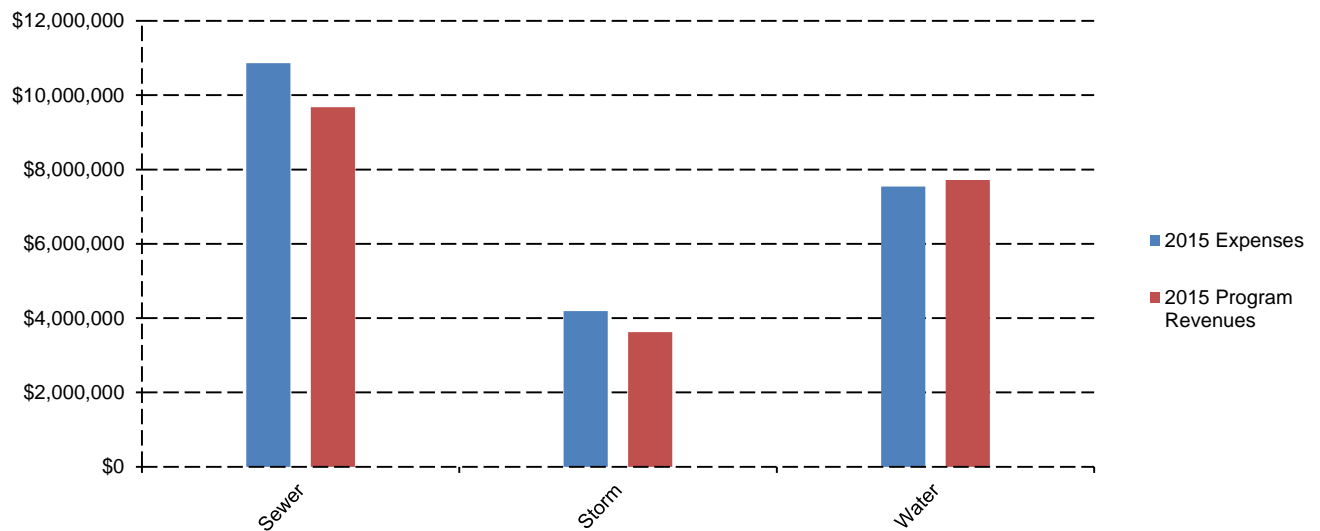
Business-type activities net position increased by \$1,096,254. Key components of this increase include:

- Business-type activities revenues increased by \$1,019,647, or 5.1%, over 2014,

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:

2015 Expenses and Program Revenues - Business -Type Activities



Financial Analysis of Governments Funds

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

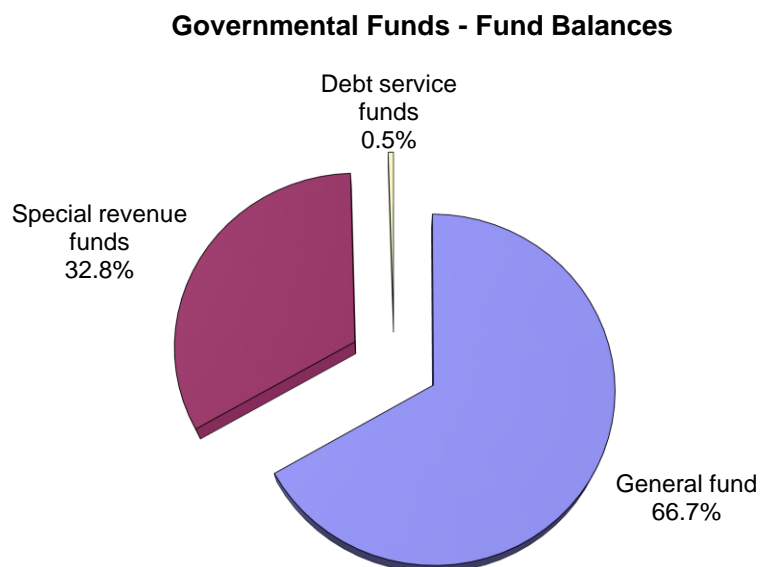
Governmental funds

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 financial requirements in the near future. Specifically, fund balance is a good indicator of the City's financial resources.

As of December 31, 2015, the City's governmental funds had combined fund balances of \$23,520,683 an increase of \$3.3 million or 16.1%. Approximately 67.2% or \$15.8 million of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed for debt service payments, public safety, transportation, recreation and other purposes.

The General Fund is the primary operating fund of the City. Total fund balance increased \$2,040,730 or 14.9% over 2014. The increase in fund balance is mainly due to an increase in development related revenues and increases in property and sales tax receipts.

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 \$18.3 million. The total change in net position for the three funds was a \$1.1 million increase.

General Fund Budgetary Highlights

The budget is developed to study and review the City's financial direction. It outlines how financial resources will be managed during the upcoming fiscal year; the course can be changed through the allocation of resources. Major groups that participate in the budget process are the Mayor, City Council, Department directors, managers, and interested Edmonds citizens.

The 2015 expenditure budget was amended to include an additional \$1,247,674 in appropriations. The largest portion of this increase was to provide additional appropriations for settled labor agreements.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues were more than budgeted total revenues by \$1,629,273. This was due to increases in sales tax revenues and charges for development related services.

Expenditures were approximately \$3,200,593 below budget, the savings were due to deferring an \$802,000 payment for fire services, realizing personnel expense savings of \$463,000, professional services of \$633,000, reducing interfund transfers by \$875,000 and the remaining \$530,237 was due to various other expense line items.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for both its governmental and business-type activities as of December 31, 2015 totaled \$154.3 million (net of accumulated depreciation), an increase of \$7.7 million from 2014. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, and other infrastructure.

Major capital asset changes during the year include:

- In Governmental Activities, Construction in Progress increased during the year, resulting in an increase in capital assets of \$3.7 million. The majority is due to projects related to street construction.
- In Business-type Activities, Construction in Progress increased during the year, resulting in an increase in capital assets of \$4.0 million. The majority is due to projects related to water line and sewer line replacements.

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

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14
Land	\$ 15,455,574	\$ 14,973,600	\$ 1,257,106	\$ 1,257,106	\$ 16,712,680	\$ 16,230,706
Building	9,686,923	10,438,761	19,306,270	20,173,056	28,993,193	30,611,816
Improvements other than buildings	14,402,423	12,880,495	54,914,401	54,123,137	69,316,824	67,003,632
Infrastructure	19,315,907	21,324,221		0	19,315,907	21,324,221
Machinery and Equipment	2,393,937	1,982,775	390,335	267,741	2,784,272	2,250,516
Intangible Assets	0	0	184,178	236,077	184,178	236,077
Construction in Progress	8,466,376	4,438,755	8,492,543	4,514,062	16,958,919	8,952,817
Total	<u>\$ 69,721,140</u>	<u>\$ 66,038,607</u>	<u>\$ 84,544,833</u>	<u>\$ 80,571,179</u>	<u>\$ 154,265,972</u>	<u>\$ 146,609,786</u>

More detailed information on capital assets is provided in Note 9.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$55,250,000. Of this amount, \$10,365,000 is general obligation bonds for governmental activities, and \$44,885,000 is revenue bonds for business-type activities for the City-operated utilities. The City currently maintains a rating of Aa3 with Moody's for its revenue bonds, Aa2 for voter-approved general obligation bonds, and Aa3 for councilmanic general obligation bonds.

Due to the implementation of Governmental Accounting Standards Board Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City recorded a \$1.2 million liability for the extension of a financial guarantee of the 2008 bond issuance by the City's Component Unit. See Note 19 for additional detail.

The following schedule summarizes the City's long-term debt:

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/13
General Obligation Debt	\$ 7,701,438	\$ 8,282,579	\$ 2,663,562	\$ 2,872,421	\$ 10,365,000	\$ 11,155,000
Revenue Bonds	-	-	44,885,000	27,060,000	44,885,000	27,060,000
Capital Contracts	490,593	714,359	-	-	490,593	714,359
Public Work Trust Fund Loans	2,414,528	4,195,667	2,337,986	2,585,877	4,752,514	6,781,544
Total	\$ 10,606,559	\$ 13,192,605	\$ 49,886,548	\$ 32,518,298	\$ 60,493,107	\$ 45,710,903

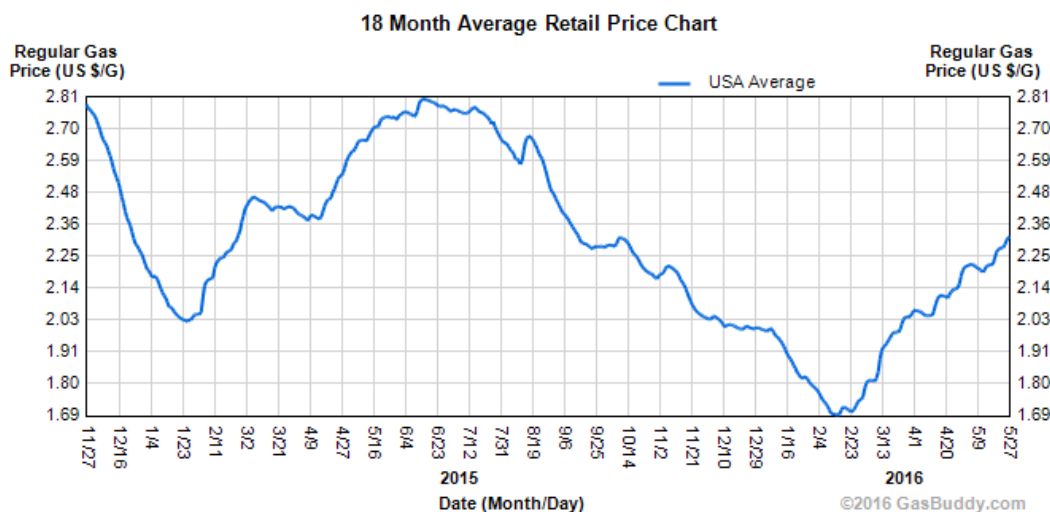
Economic Factors

As economic conditions continued to improve during 2015, sales tax collections increased 13%, excise tax revenues increased 24.2%, and property taxes revenues increased 3.8% while utility tax revenue collections decreased 2.2%. The strong local economy has required the City to address the increasing service demands and hire additional staff to help meet citizen demands.

Economic Overview

The United States economy has continued to grow in 2015. The national unemployment rates improved from 5.6% at the end of 2014 to 5.0% at the end of 2015, Washington State's unemployment rates decreased to 5.8% at the end of 2015 from 5.9% at the end of 2014, while the Puget Sound unemployment rates increased from 4.2% at the end of 2014 to 4.7% at the end of 2015.

In 2015, we saw oil and gas prices decrease due to a combination of factors, including increasing supply and decreased turmoil in some key oil producing regions. This trend bottomed out in early 2016 and we are now seeing slight increases in fuel costs, noted in the chart below.



Like the rest of the nation, the Washington State economy continues to gain strength after the severest downturn in the past several decades. The Puget Sound region economy also is doing well, with solid employment numbers and a strong housing industry.

The economy of the City of Edmonds is primarily based on retail, service activity, health care and waterfront activity and has benefited from the stronger employment trends. Edmonds is located along the shore of Puget Sound about 15 miles north of the City of Seattle and south of Everett. Edmonds is primarily an upper-middle income residential community, with extensive waterfront and water view residential property.

Business Districts. The City's business districts include the Downtown/Waterfront, Highway 99, Westgate, Five Corners, Firdale Village, and Perrinville.

Downtown shops and galleries highlight the contemporary, offering everything from best-seller books, fine art, gifts, travel supplies, gourmet food, and garden supplies, to the latest in clothing styles, shoes, jewelry, and unique housewares. Restaurants, cafés, and bistros offer dining experiences near the center of town and beachfront eateries feature scenic views of Puget Sound, the Olympic Mountains, and magnificent sunsets. One of a kind coffee shops, wine bars and cuisine from around the world offer many choices - from a quick break to relaxed dining. The Harbor Square shopping area offers 60 businesses, including an athletic club and a hotel.

More shopping and dining can be found along Highway 99 and in the neighborhood commercial districts of Westgate, Five Corners, Firdale Village and Perrinville.

Healthcare. Swedish Edmonds Hospital, which originally opened in 1964 is a full service facility licensed for 217 beds, staffed by over 450 physicians and specialists, and employs over 1,400 other staff including clinical and non-clinical personnel. The hospital is able to offer a full scope of medical and surgical services, including Level IV Trauma emergency medicine, as well as diagnostic, treatment and support services. Prior to joining Swedish, the Edmonds hospital (formerly known as Stevens Hospital) was governed by the Public Hospital District No. 2 of Snohomish County. The District's Board of Commissioners no longer oversees the day-to-day operations at Swedish/Edmonds, but is still involved in some of the major decisions. It also manages the Verdant Health Commission, formerly South Snohomish County Commission for Health, to promote good health in the surrounding communities. In April of 2015, Swedish opened the Swedish Cancer Institute Facility on the Edmonds Campus, and made an investment in a Robotic Assisted da Vinci® Surgical System.

Transportation. The Edmonds/Kingston ferry connects South Snohomish County and North King County with the Kitsap Peninsula and, via the Hood Canal Bridge, the Olympic Peninsula. A Burlington Northern Railroad line runs adjacent to the Edmonds shoreline and is used for Sound Transit Commuter and Amtrak passenger rail service, and for moving freight. Community Transit provides local and commuter bus service.

Waterfront. The Edmonds waterfront area includes four public beaches, a public fishing pier, an off-leash dog area, and the oldest underwater park on the West Coast and Port. The 950-foot long fishing pier, located just south of the ferry terminal, includes benches, lighting, and bait and cleaning areas, and is open year-round, 24 hours a day. Edmonds Underwater Park, the oldest of its kind on the West Coast, is located just north of the ferry terminal. The 32-acre park was dedicated as a marine preserve in 1971, and provides divers with a number of underwater structures and a wide variety of fish and plant life to explore.

The Port of Edmonds operates a marina with 662 wet moorage slips and 232 spaces for dry boat storage. The marina provides guest moorage, public launching and parking facilities, a 35-ton travelift, a pressure washing facility, and a workyard. The port's charter fishing fleet attracts more than 10,000 customers annually.

Parks and Art. Residents and visitors can walk along an award winning waterfront walkway, access four public beaches, swim at outdoor Yost Pool, use the Off Leash Area for their dogs, attend summer concerts at downtown City Park, take a picnic and enjoy views from public parks and beaches, take self-guided walking tours of public art, view murals in the downtown area, attend an annual Arts Festival and Third Thursday Artwalks, and attend performing art events at Edmonds Center for the Arts, and live theatre at Wade James and Phoenix Theaters.

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. If you have a question about this report, please contact the Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020, (425) 771-0240.

City of Edmonds
Statement of Net Position
December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Edmonds Public Facilities District
ASSETS				
Current assets:				
Cash & equity in pooled investments	\$ 22,065,457	\$ 21,529,350	\$ 43,594,807	\$ 155,945
Deposits with trustees	26,308	-	26,308	-
Investments	4,006,185	-	4,006,185	-
Taxes	351,675	-	351,675	-
Customer accounts	711,317	2,621,988	3,333,305	281,669
Court receivable	555,568	-	555,568	-
Other receivable	-	-	-	67,566
Interest on investments	100,972	-	100,972	-
Due from other governments	5,790,934	741,637	6,532,571	64,971
Due from component unit	285,000	-	285,000	-
Inventory of materials & supplies	41,537	122,638	164,175	3,469
Prepayments	-	-	-	46,173
Total current assets	33,934,953	25,015,613	58,950,566	619,793
Noncurrent assets:				
Restricted cash and cash equivalents	-	15,931,202	15,931,202	50,478
Special assessments - non-current	51,171	-	51,171	-
Due from component unit - long-term	4,988,691	-	4,988,691	-
Net pension asset	2,535,412	-	2,535,412	-
Investment in joint venture	1,343,445	-	1,343,445	-
Depreciable capital assets (net)	45,799,191	74,795,184	120,594,375	8,910,871
NonDepreciable capital assets	23,921,950	9,749,649	33,671,599	3,469,996
Total noncurrent assets	78,639,860	100,476,035	179,115,895	12,431,345
Total assets	112,574,813	125,491,648	238,066,461	13,051,138
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - 2011 Refunding	-	149,508	149,508	-
Deferred outflows of resources - 2012 Refunding	-	356	356	-
Deferred outflows of resources - pension	1,262,716	344,155	1,606,871	83,321
Total deferred outflows of resources	1,262,716	494,019	1,756,735	83,321
Total assets and deferred outflows of resources	113,837,529	125,985,667	239,823,196	13,134,459
LIABILITIES				
Current liabilities:				
Accounts payable	1,757,978	1,248,298	3,006,276	229,506
Accrued wages	886,431	197,000	1,083,431	45,981
Internal balances	(191,840)	191,839	(1)	-
Due to other governmental units	-	467,325	467,325	-
Other current liabilities	177,961	155,284	333,245	-
Accrued bond interest payable	15,286	154,841	170,127	19,254
Deposits payable	-	8,748	8,748	19,745
Unearned revenue	2,044	-	2,044	375,486
Total current liabilities	2,647,860	2,423,335	5,071,195	689,972
Noncurrent liabilities:				
Net pension obligation	7,338,503	2,598,511	9,937,014	492,578
Net other post employment obligation	1,179,920	-	1,179,920	-
Due within one year	4,508,123	2,044,787	6,552,910	512,500
Due in more than one year	9,557,763	48,884,031	58,441,794	7,886,412
Total noncurrent liabilities	22,584,309	53,527,329	76,111,638	8,891,490
Total liabilities	25,232,169	55,950,664	81,182,833	9,581,462
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - 2011 Refunding	-	63,854	63,854	-
Deferred inflows of resources - 2012 Refunding	150,522	-	150,522	-
Deferred inflows of resources - pension	1,746,212	389,991	2,136,203	75,961
Total deferred inflows of resources	1,896,734	453,845	2,350,579	75,961
Total liabilities and deferred inflows of resources	27,128,903	56,404,509	83,533,412	9,657,423
NET POSITION				
Net investment in capital assets	63,194,059	48,262,943	111,457,002	3,999,677
Restricted for:				
Culture and Recreation	5,302,083	-	5,302,083	-
Customer Deposits	-	8,748	8,748	-
Debt Service	-	2,975,640	2,975,640	492,134
Economic Environment	220,628	-	220,628	-
Other	42,178	-	42,178	-
Public Safety	68,732	-	68,732	-
Transportation	523,787	-	523,787	-
Unrestricted	17,357,161	18,333,825	35,690,986	(1,014,775)
Total net position	\$ 86,708,628	\$ 69,581,156	\$ 156,289,784	\$ 3,477,036

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

City of Edmonds
Statement of Activities
For the Year Ended December 31, 2015

Page 1 of 2

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,836,339	\$ 4,336,689	\$ 10,122	\$ -
Public safety	19,454,123	1,685,160	130,468	-
Utilities and environment	158,773	24,609	3,750	-
Transportation	6,314,909	852,624	-	6,211,860
Economic environment	1,424,538	1,388,505	9,700	-
Mental and physical health	69,762	201,110	-	-
Culture and recreation	4,800,710	953,771	113,875	612,987
Interest on long-term debt	190,898	-	-	-
Total governmental activities	42,250,052	9,442,468	267,915	6,824,847
Business-type activities:				
Sewer Utility	9,503,685	8,216,298	-	1,458,028
Storm Utility	3,677,867	3,486,400	-	135,610
Water Utility	6,872,035	7,391,475	58,129	269,222
Total business-type activities	20,053,587	19,094,173	58,129	1,862,860
Total primary government	\$ 62,303,639	\$ 28,536,641	\$ 326,044	\$ 8,687,707
Component Unit:				
Edmonds Public Facilities District	2,945,624	1,204,447	896,337	-
Total component unit	\$ 2,945,624	\$ 1,204,447	\$ 896,337	-
General revenues:				
Property taxes				
Sales taxes				
Interfund utility taxes				
Utility tax				
Excise Taxes				
Interest and investment earnings				
Miscellaneous				
Gains				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Change in accounting principle - GASB 68				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Edmonds Public Facilities District
\$ (5,489,528)	\$ -	\$ (5,489,528)	\$ -
(17,638,495)	-	(17,638,495)	-
(130,414)	-	(130,414)	-
749,575	-	749,575	-
(26,333)	-	(26,333)	-
131,348	-	131,348	-
(3,120,077)	-	(3,120,077)	-
(190,898)	-	(190,898)	-
(25,714,822)	-	(25,714,822)	-
-	170,641	170,641	-
-	(55,857)	(55,857)	-
-	846,791	846,791	-
-	961,575	961,575	-
(25,714,822)	961,575	(24,753,247)	-
			(844,840)
			<u>\$ (844,840)</u>
14,289,877	-	14,289,877	-
7,567,383	-	7,567,383	561,636
2,031,530	-	2,031,530	-
4,617,634	-	4,617,634	-
5,250,216	-	5,250,216	-
174,738	135,586	310,324	169
536,434	-	536,434	92,288
96,487	6,994	103,481	-
7,901	(7,901)	-	-
34,572,200	134,679	34,706,879	654,093
8,857,378	1,096,254	9,953,632	(190,747)
83,175,112	71,147,212	154,322,324	4,124,420
(5,323,862)	(2,662,310)	(7,986,172)	(456,637)
<u>\$ 86,708,628</u>	<u>\$ 69,581,156</u>	<u>\$ 156,289,784</u>	<u>\$ 3,477,036</u>

City of Edmonds
Balance Sheet
Governmental Funds
December 31, 2015

	GENERAL FUND	COMBINED STREET CONST/IMPROVE	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,898,964	\$ 732,761	\$ 7,653,990	\$ 16,285,715
Investments	4,006,185	-	-	4,006,185
Deposits with trustee	26,308	-	-	26,308
Property taxes	351,675	-	-	351,675
Customer accounts	710,039	-	86	710,125
Interest on investments	100,972	-	-	100,972
Due from other governments	1,955,347	3,480,263	354,589	5,790,199
Interfund receivable	3,197,946	-	-	3,197,946
Due from component unit	5,273,691	-	-	5,273,691
Inventory	626	-	-	626
Special assessments	-	-	51,171	51,171
Total assets	<u>\$ 23,521,753</u>	<u>\$ 4,213,024</u>	<u>\$ 8,059,836</u>	<u>\$ 35,794,613</u>
LIABILITIES				
Accounts payable	\$ 418,945	\$ 1,158,416	\$ 115,657	\$ 1,693,018
Wages and benefits payable	835,969	-	35,648	871,617
Due to other governmental units	802,030	-	-	802,030
Other current liabilities	102,037	39,162	38,806	180,005
Unearned revenues	5,316,548	-	1,760	5,318,308
Interfund Loans	-	3,006,106	-	3,006,106
Total liabilities	<u>7,475,529</u>	<u>4,203,684</u>	<u>191,871</u>	<u>11,871,084</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources -property taxes	351,675	-	-	351,675
Deferred inflows of resources - special assessments	-	-	51,171	51,171
Total deferred inflow of resources	<u>351,675</u>	<u>-</u>	<u>51,171</u>	<u>402,846</u>
Total liabilities and deferred inflows of resources	<u>7,827,204</u>	<u>4,203,684</u>	<u>243,042</u>	<u>12,273,930</u>
FUND BALANCES (DEFICITS)				
Nonspendable	361	-	-	361
Restricted	-	9,340	6,148,068	6,157,408
Committed	-	-	1,553,937	1,553,937
Unassigned	15,694,188	-	114,789	15,808,977
Total fund balances (deficits)	<u>15,694,549</u>	<u>9,340</u>	<u>7,816,794</u>	<u>23,520,683</u>
Total liabilities and fund balances (deficits)	<u>\$ 23,521,753</u>	<u>\$ 4,213,024</u>	<u>\$ 8,059,836</u>	<u>\$ 35,794,613</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, 2015

Total governmental fund balances as reported on this statement	\$ 23,520,683
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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	\$ 15,455,574	
Construction in progress	8,466,376	
Subtotal: Non-depreciable capital assets	23,921,950	
Investment in joint venture	1,343,445	
Buildings	25,421,182	
Improvements other than buildings	22,231,884	
Infrastructure	59,089,534	
Machinery and equipment - general government	7,991,828	
Less: Accumulated depreciation	(68,935,239)	
Subtotal: Depreciable capital assets	45,799,189	
		71,064,584

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

Court receivable	555,568	
Net Pension Asset	2,535,412	
Deferred outflow of resources - pension (\$23,735 attributable to internal service funds)	1,262,716	
Deferred inflow of resources - property tax	351,675	
Deferred inflow of resources - bond refunding	(150,522)	
Deferred inflow of resources - pension (\$26,896 attributable to internal service funds)	(1,746,212)	
		2,808,637

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 \$2,127,630 are included in the capital asset adjustment above. Compensated absence liability and the pension amounts are included in the appropriate categories with a note.

5,742,810

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

General obligation bonds	(7,701,438)	
Compensated absences (\$37,571 attributable to internal service funds)	(2,279,704)	
Capital contracts	(490,593)	
Public works trust fund loans	(1,612,498)	
Nonexchange Financial Guarantee	(1,179,623)	
Subtotal: Long-term debt payable	(13,263,856)	
Accrued interest payable	(15,286)	
Net pension obligation (\$179,207 attributable to internal service funds)	(7,338,503)	
Net other post employment benefit obligation	(1,179,920)	
Unearned revenues reported in the Balance Sheet - Governmental Funds		
are not reported in the government-wide Statement of Net Position (Note 1)	5,369,479	
		(16,428,086)

Net position of government activities as reported on the statement of net position	\$ 86,708,628
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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, 2015

	GENERAL FUND	COMBINED STREET CONST/IMPROVE	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 28,714,539	\$ -	\$ 3,537,682	\$ 32,252,221
Licenses and permits	2,132,896	-	103,023	2,235,919
Intergovernmental	1,076,163	6,243,454	1,099,810	8,419,427
Charges for services	5,150,816	66,344	1,073,802	6,290,962
Fines and forfeitures	535,078	-	456	535,534
Investment earnings	115,719	-	58,561	174,280
Miscellaneous	466,586	500	662,768	1,129,854
Total revenues	<u>38,191,797</u>	<u>6,310,298</u>	<u>6,536,102</u>	<u>51,038,197</u>
EXPENDITURES				
Current:				
General government	9,409,442	-	1,200	9,410,642
Public safety	19,371,912	-	58,429	19,430,341
Utilities and environment	-	-	158,773	158,773
Transportation	3,600	919,805	3,267,876	4,191,280
Economic environment	1,361,780	-	62,332	1,424,112
Mental and physical health	69,762	-	-	69,762
Culture and recreation	3,591,029	-	641,637	4,232,666
Debt service:				
Principal	218,427	72,201	1,445,566	1,736,194
Interest	54,371	5,612	181,941	241,924
Capital outlay:				
General government	78,838	-	-	78,838
Transportation	-	5,759,286	9,827	5,769,114
Culture and recreation	13,364	-	1,026,746	1,040,110
Total expenditures	<u>34,172,525</u>	<u>6,756,904</u>	<u>6,854,327</u>	<u>47,783,756</u>
Excess (deficiency) of revenues over expenditures	<u>4,019,272</u>	<u>(446,606)</u>	<u>(318,225)</u>	<u>3,254,441</u>
OTHER FINANCING SOURCES (USES)				
Gain (loss) on sale of capital assets	-	-	2,177	2,177
Transfers in	1,155,775	246,031	1,940,877	3,342,683
Transfers out	(3,134,315)	-	(200,467)	(3,334,782)
Total other financing source (uses)	<u>(1,978,540)</u>	<u>246,031</u>	<u>1,742,587</u>	<u>10,078</u>
Net change in fund balances	2,040,732	(200,575)	1,424,362	3,264,519
Fund balances - beginning	13,653,817	209,915	6,392,432	20,256,164
Fund balances - ending	<u>\$ 15,694,549</u>	<u>\$ 9,340</u>	<u>\$ 7,816,794</u>	<u>\$ 23,520,683</u>

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, 2015

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 3,264,519
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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	\$ 7,134,778	
Internal service fund - capital outlays	475,222	
Current year depreciation (includes \$314,074 for internal service fund)	(4,241,541)	
Adjustment in investment in joint venture	<u>(107,192)</u>	
		3,261,267

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	(9,422)	
Other unearned revenue	(155,106)	
Court receivable	<u>(24,330)</u>	
		(188,858)

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	9,408	
Long-term debt repayments	<u>1,917,262</u>	
		1,926,670

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. Capital activity, net pension obligations and accrued compensated absences are report in the appropriate category.

243,963

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	2,903	
Net pension obligation (\$1,239 attributable to internal service funds)	512,769	
Net other post-employment benefit obligation	(163,872)	
Accrued compensating absence expense (\$1,011 attributable to internal service funds)	<u>(1,982)</u>	
		349,818

Change in net position on the Statement of Activities	<u>\$ 8,857,378</u>
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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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	27,552,804	27,552,804	28,714,539	1,161,735
Licenses and permits	1,897,540	1,960,540	2,132,896	172,356
Intergovernmental	814,050	1,128,450	1,076,163	(52,287)
Charges for services	4,852,486	4,768,876	5,150,816	381,940
Fines and forfeitures	602,450	602,450	535,078	(67,372)
Investment earnings	38,980	38,980	115,719	76,739
Miscellaneous	345,212	400,424	466,586	66,162
Interfund Loans	-	110,000	-	(110,000)
Total revenues	<u>36,103,522</u>	<u>36,562,524</u>	<u>38,191,797</u>	<u>1,629,273</u>
EXPENDITURES				
Current:				
General government	10,013,522	10,514,347	9,409,442	1,104,905
Public safety	20,641,030	20,972,228	19,371,912	1,600,316
Transportation	3,600	3,600	3,600	-
Economic environment	1,347,308	1,407,943	1,361,780	46,163
Mental and physical health	69,660	69,660	69,762	(102)
Culture and recreation	<u>3,968,137</u>	<u>3,876,153</u>	<u>3,591,029</u>	<u>285,124</u>
Total current	<u>36,043,257</u>	<u>36,843,931</u>	<u>33,807,525</u>	<u>3,036,406</u>
Debt service:				
Principal	226,119	226,119	218,427	7,692
Interest	<u>54,268</u>	<u>54,268</u>	<u>54,371</u>	<u>(103)</u>
Total debt service	<u>280,387</u>	<u>280,387</u>	<u>272,798</u>	<u>7,589</u>
Capital outlay:				
General government	-	235,000	78,838	156,162
Culture and recreation	<u>13,800</u>	<u>13,800</u>	<u>13,364</u>	<u>436</u>
Total capital outlay	<u>13,800</u>	<u>248,800</u>	<u>92,202</u>	<u>156,598</u>
Total expenditures	<u>36,337,444</u>	<u>37,373,118</u>	<u>34,172,525</u>	<u>3,200,593</u>
Excess (deficiency) of revenues over expenditures	<u>(233,922)</u>	<u>(810,594)</u>	<u>4,019,272</u>	<u>4,829,866</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,363,775	1,450,775	1,155,775	(295,000)
Transfers out	<u>(3,797,785)</u>	<u>(4,009,785)</u>	<u>(3,134,315)</u>	<u>875,470</u>
Total other financing source (uses)	<u>(2,434,010)</u>	<u>(2,559,010)</u>	<u>(1,978,540)</u>	<u>580,470</u>
Net change in fund balances	(2,667,932)	(3,369,604)	2,040,732	5,410,336
Fund balances - beginning	<u>11,760,508</u>	<u>13,653,818</u>	<u>13,653,817</u>	<u>(1)</u>
Fund balances - ending	<u>\$ 9,092,576</u>	<u>\$10,284,214</u>	<u>\$15,694,549</u>	<u>\$ 5,410,335</u>

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

City of Edmonds
Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,529,350	\$ 5,779,742
Customer accounts	2,621,988	1,192
Due from other governments	741,637	737
Inventory	122,638	40,911
Total current assets	<u>25,015,613</u>	<u>5,822,582</u>
Noncurrent assets:		
Restricted cash and investment	15,931,202	-
Land	1,257,107	-
Property, plant and equipment	74,611,007	2,054,778
Construction in progress	8,492,542	72,852
Intangible assets (net)	184,177	-
Total noncurrent assets	<u>100,476,035</u>	<u>2,127,630</u>
Total assets	<u>125,491,648</u>	<u>7,950,212</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - 2011 refunding	149,508	-
Deferred outflows of resources - 2012 refunding	356	-
Deferred outflows of resources - pension	344,155	23,735
Total deferred outflows of resources	<u>494,019</u>	<u>23,735</u>
Total assets and deferred outflows of resources	<u>125,985,667</u>	<u>7,973,947</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,248,298	64,960
Wages and benefits payable	197,000	14,814
Interfund payables	191,839	-
Due to other governmental units	467,325	-
Other current liabilities	164,032	-
Interest payable	154,841	-
Loans payable - current	228,504	-
Revenue bonds payable-current	1,246,091	-
G.O. bonds payable - current	216,211	-
Total current liabilities	<u>4,114,141</u>	<u>79,774</u>
Noncurrent liabilities:		
Compensated absences	356,866	37,571
Pension Obligation (Net)	2,598,511	179,207
Loans payable - long-term	2,109,482	-
Revenue bonds payable - long-term	44,325,332	-
G.O. bonds payable - long-term	2,446,332	-
Total noncurrent liabilities	<u>51,836,523</u>	<u>216,778</u>
Total liabilities	<u>55,950,664</u>	<u>296,552</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - 2011 refunding	63,854	-
Deferred inflow of resources - pension	389,991	26,896
Total deferred inflows of resources	<u>453,845</u>	<u>26,896</u>
Total liabilities and deferred inflows of resources	<u>56,404,509</u>	<u>323,448</u>
NET POSITION		
Net investment in capital assets	48,262,943	2,127,630
Restricted for:		
Customer Deposits	8,748	-
Debt Service	2,975,640	-
Unrestricted	18,333,825	5,522,869
Total net position	<u>\$ 69,581,156</u>	<u>\$ 7,650,499</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, 2015

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 18,868,448	\$ 1,515,292
Other operating revenue	225,725	61
Total operating revenues	<u>19,094,173</u>	<u>1,515,353</u>
OPERATING EXPENSES		
Personnel services	4,318,364	310,466
Operations and maintenance	9,730,328	401,530
Professional services	542,324	1,260
Insurance	251,007	40,605
Depreciation	3,442,522	314,074
Total operating expenses	<u>18,284,545</u>	<u>1,067,935</u>
Operating income (loss)	<u>809,628</u>	<u>447,418</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	58,129	-
Investment earnings	135,586	47,217
Other operating revenue	6,994	-
Judgments and settlements	-	92,030
Gain (loss) on sale of capital assets	(186,448)	2,281
Interest expense	(1,582,594)	-
Total nonoperating revenues (expenses)	<u>(1,568,333)</u>	<u>141,528</u>
Income (loss) before contributions and transfers	(758,705)	588,946
Capital contributions	1,862,860	-
Transfers out	(7,901)	-
Change in net position	1,096,254	588,946
Total net position - beginning	71,147,212	7,245,160
Change in accounting principle - GASB 68	(2,662,310)	(183,607)
Total net position - ending	<u>\$ 69,581,156</u>	<u>\$ 7,650,499</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, 2015

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 19,434,085	\$ 1,515,354
Payments to employees	(4,335,902)	(310,187)
Payments to suppliers	(10,339,696)	(402,903)
Payment for Inventory	5,409	26,197
Net cash provided (used) by operating activities	<u>4,763,896</u>	<u>828,461</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grant income	58,129	-
Interfund Loan	12,486	-
Net cash provided (used) by noncapital financing activities	<u>70,615</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gain (loss) on assets	-	23,239
Acquisition and construction of capital assests	(7,404,024)	(810,254)
Capital contributions	1,618,917	-
Capital grants	243,942	-
Proceeds from insurance settlement	6,994	92,030
Principal payments on debt	(1,371,750)	-
Interest payments on debt	(1,544,004)	-
Proceeds from capital debt	18,759,213	-
Transfers to other funds	(7,901)	-
Net cash provided (used) by capital and related financing activities	<u>10,301,387</u>	<u>(694,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	135,588	47,218
Net cash provided (used) by investing activities	<u>135,588</u>	<u>47,218</u>
Net increase (decrease) in cash and cash equivalents	15,271,486	180,693
Balances - beginning of year	22,189,066	5,599,049
Balances - end of the year	<u>\$ 37,460,552</u>	<u>\$ 5,779,742</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, 2015

	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	\$ 809,628	\$ 447,418
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,442,522	314,074
Changes in assets and liabilities:		
Accounts Payable - Supplier	417,083	39,549
Compensated absences	(25,163)	1,011
Customer Receivables	34,859	-
Inventory	5,409	26,197
Other operating receivables	2,900	-
Salaries & Benefits Payable	7,625	(732)
Other Liabilities	78,718	-
Due From Other Governmental Units	(311,838)	944
Due To Other Governmental Unit	302,153	-
Net cash provided (used) by operating activities	<u>\$ 4,763,896</u>	<u>\$ 828,461</u>
Noncash investing, capital and financing activities		
Change in accounting principle - GASB 68	\$ (2,662,310)	\$ (183,607)
Total noncash investing, capital and financing activities	<u>\$ (2,662,310)</u>	<u>\$ (183,607)</u>
CASH RECONCILIATION		
Actual Balance - end of year	\$ 37,460,552	\$ 5,779,742
Balance - end of year out of balance	<u>0</u>	<u>(0)</u>

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

City of Edmonds
Statement of Fiduciary Net Position
December 31, 2015

	<u>Pension trust funds</u>	<u>Agency funds</u>
ASSETS		
Cash and cash equivalents	\$ 209,414	\$ 26,089
Due from other governments	<u>-</u>	<u>2,254</u>
Total assets	<u>209,414</u>	<u>\$ 28,343</u>
LIABILITIES		
Accounts payable	\$ 3,648	\$ 5,446
Accrued expenses	2,664	-
Agency deposits	<u>-</u>	<u>22,897</u>
Total liabilities	<u>6,312</u>	<u>\$ 28,343</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 203,102</u>	

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

City of Edmonds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2015

	<u>Pension trust funds</u>
ADDITIONS	
Contributions:	
Employer contributions	\$ 15,000
State shared revenue-distribution of fire insurance premiums	48,450
Investment earnings	<u>1,629</u>
Total contributions	<u>65,079</u>
Total additions	<u>65,079</u>
DEDUCTIONS	
Personnel services	49,742
Professional services	<u>1,107</u>
Total deductions	<u>50,849</u>
Change in net position	14,230
Net Position -- beginning of the year	<u>188,872</u>
Net Position -- end of the year	<u><u>\$ 203,102</u></u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Edmonds, which conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB), are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described below.

A. REPORTING ENTITY

The City of Edmonds was incorporated in 1890 and operates under a Council/Mayor form of government. The City Council is composed of seven members elected at large who each serve a four-year term. The Mayor is elected at large and serves a four-year term. The Mayor is responsible for all City affairs. The City provides a full range of general government services: including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administration, and water, sewer, storm water and wastewater treatment utilities.

The accompanying financial statements include all funds, agencies, and boards controlled by or dependent on the City. Criteria used to determine agency dependence on the City were: selection of the governing body, budget adoption, taxing authority, outstanding debt service secured by City revenues or general obligations, City obligation to finance possible deficits, or receipt of significant City subsidies.

Discretely Presented Component Unit - The Edmonds City Council formed the Edmonds Public Facilities District (PFD) on April 24, 2001 by Ordinance. The PFD was created under the authority provided by the legislature during the 1999 State legislative session, since codified as RCW 35.57. The purpose of the PFD is to construct and operate a "regional center" in the City of Edmonds. RCW 35.57 defines a regional center 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 for the acquisition, renovation and remodeling of a Performing Arts Center by the PFD in the amount of \$7,015,000. These proceeds were transferred to the PFD. The bonds, which were refinanced in 2012, are a debt of the City and not the PFD; however the PFD is obligated by inter-local agreement to pay the entire amount of the PFD's portion of the 2012 debt service over the life of the bonds. Payment is not limited to sales tax revenue.

In 2008 the PFD issued bonds to retire short-term debt it had issued to complete construction of the Edmonds Center for the Arts. The PFD is currently not able to meet its debt service obligation on the 2008 bonds. However, the City guarantees repayment of those bonds through a Contingent Loan Agreement. Advances by the City to the PFD for debt service on the 2008 bonds are shown in the City's Statement of Net Position as a Due from Component Unit. More information about the PFD, including complete financial statements, can be obtained from Edmonds Performing Arts Center, c/o Joe McIlwain, 401 Fourth Ave. N. Edmonds, WA 98020.

Blended Component Unit - The Edmonds Transportation Benefit District is governed by the seven-member board appointed by the City of Edmonds Council. Although it is legally separated from the City of Edmonds, the Edmonds Transportation Benefit District is reported as if it were part of the primary government because its sole purpose is to finance and construct City of Edmonds streets.

Joint Ventures - A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility.

The City participates in two separate joint ventures. The first is a single joint venture with Snohomish County and other local governments in the Snohomish County Emergency Radio System (SERS). The second is a single joint venture with six other cities and Snohomish County Fire District 1 in the Southwest Snohomish County Public Safety Communication Agency (SNOCOM). See note 17 for additional information.

B. 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 non-fiduciary activities of the primary government and its component units. Government 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 certain legally separate component units 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with 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. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities. Taxes and other items not properly included among program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule 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. The fiduciary funds are not included in the government-wide financial statements. Major individual funds are reported as separate columns, while the remaining funds are combined for presentation purposes in the governmental funds statements and the proprietary funds statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets and deferred outflows of resources, its liabilities and deferred inflows of resources, fund equity, revenue, and expenditures or expenses, as appropriate. The City resources are allocated to, and accounted for in,

individual funds according to the purpose for which they are spent and how they are controlled.

The *basis of accounting* refers to the timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the 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 non-fiduciary activities of the primary government and its component units. Government 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 certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity's nonfiduciary Assets and Deferred Outflows of Resources, its Liabilities and Deferred Inflows of Resources, with the difference reported as Net Position. Net Position is reported in three categories:

- Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted Net Position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position consists of Net Position that does not meet the definition of the two preceding categories. Unrestricted Net Position often is designated to indicate that management does not consider them available for general operations. Unrestricted Net Position often has constraints on resources that are imposed by management, but can be modified or removed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with 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. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities. Taxes and other items not properly included among program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and pension trust fund financial statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The *modified accrual basis* of accounting is followed in all governmental and permanent funds of the City. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Revenues are generally considered available if they are collected within the current period or soon enough thereafter (60 days) to pay current liabilities. For derived tax revenues, such as sales tax and utility business and occupation taxes, revenues are recognized in the period when the

underlying exchange has occurred. For imposed non-exchange taxes, such as property taxes, revenues are recognized when the use of resources is permitted, or when resources are available. Grant revenue is recognized in the period in which the expenditure occurs and the eligibility requirements have been met. Non-exchange transactions, such as contributions, are recognized when the donation eligibility requirements have been satisfied. Those specific major revenue sources accrued are:

The *accrual basis* of accounting is followed in all proprietary, agency, and pension trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

Major Governmental Funds - The City reports two Major Governmental Funds. The General Fund is the general operating fund of the City and accounts for all activities not required to be accounted for in some other fund. The Street Construction Fund is used to account for transportation improvement projects funded by a variety of sources.

Proprietary Fund - The Combined Utility Operation Fund accounts for the provision of water, sewer, storm water and wastewater treatment services to the residents of the City and some residents of Mountlake Terrace, Lynnwood, Woodway, Olympic View Water District and Ronald Wastewater District. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, financing, and related debt service, billing, and collection.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with principal ongoing operations. The principal operating revenues of the City's utility fund 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 benefit expenses, contracted services, insurance and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Internal Service and Fiduciary Funds - The Equipment Rental Fund is an internal service fund used to account for the Fleet Maintenance Division. The Fleet Maintenance Division is responsible for maintaining the City's vehicle fleet.

Fiduciary funds are used to account for City assets held in a trustee capacity or as an agent for individuals, private organizations, and other governments. These funds share characteristics with both the government and proprietary funds and therefore, as described below, use the measurement focus and basis of accounting most appropriate to their specific operations.

The Firemen's Pension Fund accounts for a single employer defined benefit system established under state law to provide benefits to eligible firefighters. Although this pension plan has subsequently been replaced by the State Law Enforcement Officers and Firefighters pension system, firefighters hired prior to March 1, 1970 continue to be eligible for benefits under its provisions. Revenues received by the fund include proceeds of a state-imposed tax on fire insurance premiums and as needed, allocations from the City's annual property tax levy based on actuarial estimates.

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

D. BUDGET AND BUDGETARY ACCOUNTING

Scope of Budget - Budgets are adopted at the fund level and this constitutes the legal level of control where expenditures may not exceed appropriations. Purely as a management tool, budgets are broken out to departments, activities and expense types. Transfers or revisions within funds are allowed, but only the City Council can increase or decrease a fund's budget, which is done by City ordinance.

The City adopts the budget for governmental funds on the modified accrual basis and all unexpended appropriations lapse at year-end. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but financial statements include budget-to-actual comparisons for general funds only. Proprietary fund budgets are "management budgets" and are not legally required to be reported.

Procedures for Adopting the Original Budget - The budget process steps are: 1) prior to November 1st, the Mayor submits a proposed annual budget to the City Council. It is based on Mayor and Council established priorities and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Mayor; 2) the City Council conducts public hearings on the proposed budget in November and December; 3) the Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced annual budget no later than December 31; 4) the final annual budget as adopted is published and distributed by the end of the year. Limited copies of the budget book can be obtained from City of Edmonds, c/o City of Edmonds Finance Department, 121 5th Ave. N. Edmonds, WA 98020, or by visiting our web site at www.edmondswa.gov.

Amending the Budget – The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council.

When the City 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 the City Council.

The budget amounts shown in the financial statement 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 for the fiscal year.

E. ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Equity in Pooled Investments - The City of Edmonds invests all short-term cash surpluses. The City considers all highly-liquid assets, including investment in the Washington State's 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.

Investments - Investments are presented in the financial statements at fair value based on quoted market prices. The City's position in the Local Government Investment Pools 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 at the end of each month on the basis of their average daily cash balance during the preceding month. Investments are also held separately by several funds with interest earned directly for each fund's benefit. The City holds most investments to maturity. For reporting, all funds' interest earnings are recognized in the accounting period in which they become available and measurable. Additional deposit and investment information is presented in Note 3.

Inventories - Inventories are generally valued using the weighted-average cost method and consist of expendable materials and supplies. Governmental fund types use the consumption method, where cost is recognized as an expenditure when the inventory is consumed. Inventories in the proprietary funds use two separate methods. The combined utility fund inventories are expensed as consumed. The internal service fund inventories are expensed when purchased with the inventories adjusted at year-end.

Receivables - Property taxes - The County Treasurer collects annual property taxes levied in the county for all taxing authorities. Taxes are levied on January 1 for property value listed as of May 31.

Washington State law requires the County Assessor to use the January 1, 2014 assessment date in calculating taxes and levies due in 2015. These values were based on sales that occurred in 2013. Sales that occurred in 2014 will be used to calculate the new 2015 assessments.

Due to voter approval of Initiative 747 in November 2001, levy increases are limited to the lesser of the implicit price deflator for personal consumption expenditures for the 12-month period ending in July of each year, or 1%. Any increase above this limit requires voter approval. Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two equal payments if the total exceeds \$10. Delinquent taxes bear interest at 12 percent and are subject to additional penalties if not paid as scheduled. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

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 unearned revenue and recognized as revenue of 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 principal, and delinquent taxes are evaluated annually.

Customer Accounts - Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Interfund - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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/due from other funds. Advances to other funds in governmental funds are equally offset by a fund balance reserve account, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Unearned Revenues - Unearned revenues include amounts collected before revenue recognition criteria are met because under the modified accrual basis of accounting, they

are measurable but not yet available. The unearned revenues consist primarily of contracts and agreements, special assessments, and amounts due from component unit. In the proprietary funds the premium or discount of long-term debt is amortized over the life of the debt.

Restricted Assets - In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes. At December 31, 2015 the City had \$2,975,640 cash in the enterprise fund restricted for debt service.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases are made; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of Net Position while not reported in the fund balance sheets.

The City classifies assets with an estimated useful life in excess of one year as capital assets. Capital assets include land, buildings, improvements, machinery, equipment, and infrastructure. Land is capitalized at cost with no minimum threshold. Buildings, improvements, and machinery and equipment are capitalized when cost meets or exceeds \$5,000. Public domain (infrastructure) assets consist of certain improvements other than buildings, including utility systems, streets, traffic controls, and overlays are capitalized when cost equals or exceeds \$50,000.

Costs of normal maintenance and repair for general assets are not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.

Equipment items acquired through capital lease agreements and land purchased through conditional sales contracts are reported as general capital assets in the government-wide statement of Net Position. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

All project costs are included in construction in progress in the government-wide statement of Net Position. At completion, capital costs are reclassified to property plant and equipment. In the governmental fund financial statements, projects are reported as expenditures.

Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair values as of the date acquired. The estimated value of donated assets is recorded as contributed capital by the fund which receives them.

Land 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. Depreciation is reported as part of the related program expense column on government-wide statement of activities and as a fund expense in the proprietary funds, while not reported in the fund statements of governmental funds. Capital assets are reported net of accumulated depreciation on the government-wide Statement of Net Position and in the proprietary funds Statement of Net Position, while

not reported in the governmental fund balance sheets. Refer to 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 (Yrs)</u>
Buildings	30-50
Improvements other than Buildings	25-60
Infrastructure	20-100
Machinery and Equipment	2-20
Intangible Assets	20-30

Accumulated Compensated Absences - Compensated absences including payroll taxes are reported as a current liability in the balance sheet. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method provided by GASB Statement No. 16.

Vacation Pay – Employees earn vacation based upon their years of service and may accumulate earned vacation up to a maximum of two years accrual. Unused vacation at retirement or termination is considered vested and payable to the employee.

Sick Pay – Employees may accumulate up to 1,000 hours of sick leave. Up to 800 hours of unused sick leave at retirement or termination is paid based on a percentage of accumulated sick leave. Payment is based on current wage at termination.

Other Compensated Absences – Other compensated absences include compensatory time in lieu of overtime pay; holiday earned by fire and police employees; and other compensation earned by City employees under law or union contracts. Unused compensated absences are payable at retirement or termination.

F. 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 a future period(s) 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 results 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 affects both assets and liabilities. The City uses a calendar year as its fiscal year, whereas the State's fiscal calendar is July 1 through June 30th of each year. Since the State's and the City's fiscal calendars do not match, they also cause the recognition periods for pension contributions to also not match, resulting in the recognition of Deferred Outflows and Deferred Inflows to account for the City's pension contributions. For example, for the City's fiscal year 2015, pension contributions made during the State's 2014 fiscal year, create an asset or Deferred Outflow. Similarly, for the City's fiscal year 2015, pension contributions made during the State's 2015 fiscal year, create a liability or Deferred Inflow.

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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has three

items that qualify for reporting in this category: (1) Unavailable property taxes recorded as receivables, (2) deferred losses on refunding, and (3) Pensions, as explained above.

G. FUND BALANCES

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 have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned.

- Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by City Council creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes fund resources that are limited by the mayor, or department directors based on delegation, for its intended use. This type of limitation can be imposed by the highest level of decision making within the entity, 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, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the City Council and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The appropriated balance in the general fund is committed, and the remaining balance is unassigned. All other governmental funds are presented as restricted or committed. Appropriations specify the funding source, and therefore the order in which restricted, committed, assigned, or unassigned fund balance gets spent.

H. REVENUES, EXPENDITURES AND EXPENSES

Under the *modified accrual* basis of accounting:

Charges for services, interest on investments, and rents generally are considered measurable and available when earned in governmental funds.

Taxes and federal or state entitlements or shared revenues that have been collected but not remitted by an intermediary collection agency to the City are considered measurable and available.

Special assessments are considered measurable and available when they become due.

Grants are considered measurable and available to the extent that expenditures have been made. Other intergovernmental revenues are considered measurable and available when earned.

Interfund revenues for goods and services are considered measurable and available when earned.

Proceeds from sale or disposal of capital assets are recognized as other financing sources.

Revenues from taxpayer-assessed taxes (i.e., sales tax), net of estimated refunds, are recognized when measurable and available to finance expenditures of the current period.

All other revenues are either not measurable or considered not available until collected. Expenditures are generally recognized when incurred, except for principal and interest on general long-term debt, which are reported as expenditures when paid, and compensated absences, which are reported as expenditures when liquidated from expendable available financial resources.

Under the *accrual* basis of accounting:

Revenues are recognized when earned and expenses are recognized when incurred.

Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Transfers between government and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated, as are transfers between funds reported in the business-type activities column.

I. 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.

J. CHANGES IN ACCOUNTING STANDARDS

The accompanying financial statements of the City of Edmonds have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles, which are

primarily set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

The Governmental Accounting Standards Board (GASB) issued Statements No. 68 *Accounting and Financial Reporting for Pension an amendment to GASB No. 27* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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. See note 11 for additional information.

K. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The city has one enterprise fund, the Combined Utility Fund. All required segment information is disclosed on the face of the proprietary fund financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of contract provisions.

All funds amended expenditure budgets totaled \$102,566,542, which includes \$9,030,311 of supplemental appropriations. Funds with supplemental appropriations during 2015 and the amounts are shown below:

Fund Number	Fund Description	2015 Original Budget	2015 Supplemental Appropriations	2015 Amended Budget
001	General Fund	\$ 38,585,504	\$ 760,345	\$ 39,345,849
009	Leoff-Medical Ins. Reserve	361,825	-	361,825
011	Risk Management Reserve Fund	-	71,529	71,529
012	Contingency Reserve Fund	800,000	-	800,000
014	Historic Preservation Gift Fund	7,900	2,000	9,900
016	Building Maintenance	380,000	413,800	793,800
104	Drug Enforcement Fund	76,033	-	76,033
111	Street Fund	1,703,419	-	1,703,419
112	Combined Street Const/Improve	7,501,107	2,809,206	10,310,313
117	Municipal Arts Acquis. Fund	134,275	23,500	157,775
120	Hotel/Motel Tax Revenue Fund	70,000	-	70,000
121	Employee Parking Permit Fund	26,871	-	26,871
122	Youth Scholarship Fund	3,000	-	3,000
123	Tourism Promotional Fund/Arts	21,500	-	21,500
125	Park Acq/Improvement	2,361,000	74,000	2,435,000
126	Special Capital Fund	471,400	472,000	943,400
127	Gifts Catalog Fund	43,795	8,000	51,795
130	Cemetery Maintenance/Improv	171,784	-	171,784
132	Parks Construction	5,362,900	637,543	6,000,443
138	Sister City Commission	10,400	-	10,400
139	Transportation Benefit District	650,000	74,850	724,850
211	L.I.D. Fund Control	28,567	-	28,567
231	2012 LTGO Debt Service Fund	667,693	-	667,693
232	2014 Debt Service Fund	925,310	-	925,310
421	Water Utility Fund	9,738,039	944,554	10,682,593
422	Storm Utility Fund	6,607,641	529,468	7,137,109
423	Sewer/WWTP Utility Fund	14,235,422	1,600,806	15,836,228
424	Bond Reserve Fund	845,416	498,686	1,344,102
511	Equipment Rental Fund	1,667,801	110,024	1,777,825
617	Firemen's Pension Fund	77,629	-	77,629
Totals		\$ 93,536,231	\$ 9,030,311	\$ 102,566,542

NOTE 3 – DEPOSITS AND INVESTMENTS

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 weighted average of maturity of its investments to less than four years, unless an investment is matched to an anticipated future cash flow.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the City's investment policy limits the instruments in which the City may invest. These include:

1. United States bonds.
2. United States certificates of indebtedness.
3. Bonds or warrants of the State of Washington.
4. General obligation or utility revenue bonds or warrants of its own or of any other city or town in the State.
5. Its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund.
6. Savings or time accounts in designated public depositories.
7. Certificates, notes or bonds of United States agencies, or corporations wholly owned by the United States.
8. Repurchase agreements.
9. Banker's acceptances.
10. Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation, or obligations of any other government sponsored corporation whose obligations are or may be eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System or any portion thereof in investment deposits as defined in RCW 39.8.010 secured by collateral in accordance with RCW 39.58.
11. Interim financing warrants of local improvement districts.
12. State and Local Government Investment Pool.

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. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City's position in the pool is the same as the value of the shares.

The Snohomish County Investment Pool, SCIP, is not registered with the SEC. Investments are reported at fair value to pool participants. It includes participating funds from the county's primary government and funds from the district's 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 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.

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 all SCIP underlying assets. Each pool participant can determine their fair value by taking their investment in SCIP times this ratio.

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 loss 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.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. 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) of the State of Washington.

The WPDPC is a statutory authority established under RCW chapter 39.58. It 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. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

Custodial Credit Risk – Investments. For investments, this 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 states: "No more than fifty percent (50%) of the City's portfolio, at the time of purchase, shall be in any single financial institution" with the exception of US Treasury securities and the State Investment Pool.

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

Deposits with US Bank	\$ 2,234,153
Local Government Investment Pools	22,127,557
Snohomish County Investment Pool	35,399,801
FICO Strip CPN12	1,011,846
Federal Home Loan Mortgage Corporation	1,993,952
Federal National Mortgage Association	1,000,387
	<u>\$ 63,767,696</u>

Financial Statements

	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 22,065,457	\$ 21,529,350	\$ 43,594,807	\$ 235,503	\$ 43,830,309
Restricted Cash and Cash Equivalents	-	15,931,202	15,931,202	-	15,931,202
Investments	4,006,185	-	4,006,185	-	4,006,185
	<u>\$ 26,071,641</u>	<u>\$ 37,460,552</u>	<u>\$ 63,532,193</u>	<u>\$ 235,503</u>	<u>\$ 63,767,696</u>

Restricted Cash and Cash Equivalents Reconciliation

	Business-type Activities
Deposit to Bond Reserve Account	\$ 2,975,640
Unspent Construction Debt Proceeds	12,955,562
	<u>\$ 15,931,202</u>

NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

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 instalment 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.

The City may levy up to \$3.10 Per \$1,000 of assess valuation for general governmental services. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The City's regular levy for 2015 was \$1.4716 per \$1,000 on an assessed valuation of \$6,775,485,646 for a total regular levy of \$9,970,971. Edmonds' voters approved two special levies: Emergency Medical Services (EMS) and a Debt Service Levy for the City's Public Safety Complex. Levy rates and amounts for the Regular, EMS and Debt Service levies are identified in the table below:

Purpose of the Levy	Levy Rate per \$1,000	Total Levy Amount
General Government	\$1.47162456	\$ 9,970,971
Emergency medical service (EMS)	\$0.50000000	3,387,743
Debt Service on voter approved general obligation bonds	\$0.14614593	925,309
Total City Levy	\$2.11777049	\$ 14,284,023

NOTE 5 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2015, are as follows:

	Customer Accounts	Taxes	Special Assessments	Due From Other Governments	Due from Component Units	Total
Governmental Activities						
General Fund	\$ 710,039	\$ 351,675	\$ -	\$ 1,955,347	\$ 5,273,691	\$ 8,290,752
Other Governmental Funds	86	-	51,171	3,834,851	-	3,886,108
Internal Service	1,192	-	-	736	-	1,928
Total Governmental Activities	\$ 711,317	\$ 351,675	\$ 51,171	\$ 5,790,934	\$ 5,273,691	\$ 12,178,788
Business-type Activities						
Combined Utility Fund	\$2,621,988	\$ -	\$ -	\$ 741,637	\$ -	\$ 3,363,625
Total Business-type Activities	\$2,621,988	\$ -	\$ -	\$ 741,637	\$ -	\$ 3,363,625

Payables at December 31, 2015, are as follows:

	Salaries and Benefits	Accounts Payable	Due to Other Governments	Other Current Liabilities	Total
Governmental Activities					
General Fund	\$ 835,969	\$ 418,944	\$ -	\$ 102,037	\$ 1,356,950
Other Governmental Funds	35,648	1,274,074	-	77,968	1,387,690
Internal Service	14,814	64,960	-	-	79,774
Total Governmental Activities	\$ 886,431	\$ 1,757,978	\$ -	\$ 180,005	\$ 2,824,414
Business-type Activities					
Combined Utility Fund	\$ 197,000	\$ 1,248,298	\$ 467,325	\$ 164,032	\$ 2,076,655
Total Business-type Activities	\$ 197,000	\$ 1,248,298	\$ 467,325	\$ 164,032	\$ 2,076,655

NOTE 6 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Outflows of Resources at December 31, 2015, are as follows:

Deferred Outflows of Resources - Government-wide Statement of Net Position	General Fund	Enterprise Funds
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is greater.	-	149,864
GASB 68 Pension Deferred Outflow	1,262,716	344,155
Total	\$ 1,262,716	\$ 494,019

Deferred Inflows of Resources at December 31, 2015, are as follows:

Deferred Inflows of Resources - Government-wide Statement of Net Position	General Fund	Enterprise Funds
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is less.	150,522	63,854
GASB 68 Pension Deferred Outflow	1,746,212	389,991
Total	\$ 1,896,734	\$ 453,845

Deferred Inflows of Resources - Governmental Funds Balance Sheet	General Fund	Enterprise Funds
The portion of property taxes not received within 60 days of 2015.	351,675	-
The portion of special assessments not received within 60 days of 2015.	51,171	-
Total	\$ 402,846	\$ -

NOTE 7 – INTERFUND ACTIVITY

There were two interfund balances as of December 31, 2015. The first one was the transfer of utility tax revenues from the Utility Fund to the General Fund for services rendered in the amount of \$191,840. The second interfund balance was for an interfund loan between the Contingency Reserve Fund and the Street Construction and Improvement Fund in the amount of \$3,006,106. The Street Construction and Improvement Fund made grant eligible payments and is waiting for grant reimbursement.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund activity for the year is as follows:

	Transfers In	Transfers Out			Total
		General	Other Governmental	Enterprise	
General Fund	\$ 1,155,775	\$ 1,133,600	\$ 22,175	\$ -	\$ 1,155,775
Other Governmental	2,186,908	2,000,715	178,292	-	2,179,007
Enterprise	-	-	7,901	-	7,901
Total	\$ 3,342,683	\$ 3,134,315	\$ 208,368	\$ -	\$ 3,342,683

NOTE 8 – RESTRICTED AND COMMITTED COMPONENTS OF NET POSITION

The government-wide statement of net position reports \$6,157,408 for Governmental Activities and \$2,984,388 for Business-Type Activities of restricted component of net position, and \$1,553,937 for Governmental Activities of committed component of net position.

Governmental Activities Restricted for:		
Per RCW, proceeds from seizures are limited to law enforcement activities exclusively	\$	68,732
Restricted per RCW related to state fuel taxes, transportation benefit fees, impact fees and grant agreements		523,787
Restricted per RCW related to REET revenue and lodging tax restrictions, private donors, and grant agreements		5,302,083
Per RCW, proceeds are limited to paying the cost of tourism promotion and the Edmonds Business Improvement District		220,628
Restricted by grant agreements and private donations limited to a specific purpose, Inventory		42,178
Total Restricted Component of Net Position	\$	6,157,408

Business-Type Activities Restricted for:		
Customer deposits	\$	8,748
Debt service restrictions		2,975,640
Total Restricted Component of Net Position	\$	2,984,388

Governmental Activities Committed for:		
Committed per Ordinance 1765 for the acquisition or advancement of visual and performing arts within the City	\$	468,471
Committed per Ordinance 3079 for the administration of the employee permit parking program solely and exclusively		64,481
Committed per Ordinance 2306 for special projects, special events, capital improvements and other nonrecurring needs of cemetery		137,256
Committed per Ordinance 2596 to be expended solely for the purpose of maintaining the cemetery		883,729
Total Committed Component of Net Position	\$	1,553,937

NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2015 is as follows:

Schedule of Capital Asset Activity				
	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 14,973,600	\$ 481,974	\$ -	\$ 15,455,574
Construction in Progress	4,438,755	5,744,540	(1,716,919)	8,466,376
Total capital assets, not being depreciated:	19,412,355	6,226,514	(1,716,919)	23,921,950
Capital assets, being depreciated:				
Building	25,479,908	-	(58,726)	25,421,182
Improvements other than buildings	20,407,340	2,062,613	(238,069)	22,231,884
Infrastructure	58,556,142	533,392	-	59,089,534
Machinery and Equipment	7,730,393	839,432	(577,996)	7,991,828
Total capital assets being depreciated:	112,173,783	3,435,437	(874,791)	114,734,429
Less accumulated depreciation for:				
Buildings	(15,041,147)	(751,838)	58,726	(15,734,259)
Improvements other than buildings	(7,526,845)	(540,684)	238,069	(7,829,460)
Infrastructure	(37,231,921)	(2,541,707)	-	(39,773,628)
Machinery and Equipment	(5,747,618)	(407,312)	557,039	(5,597,891)
Total accumulated depreciation:	(65,547,531)	(4,241,541)	853,834	(68,935,238)
Total capital assets, being depreciated, net:	46,626,252	(806,104)	(20,957)	45,799,191
Governmental activities capital assets, net:	\$ 66,038,607	\$ 5,420,410	\$ (1,737,876)	\$ 69,721,141
Business-type Activities				
Capital assets, not being depreciated:	Beginning	Increases	Decreases	Ending
Land	\$ 1,257,106	\$ -	\$ -	\$ 1,257,106
Construction in Progress	4,514,062	7,075,497	(3,097,016)	8,492,543
Total capital assets, not being depreciated:	5,771,168	7,075,497	(3,097,016)	9,749,649
Capital assets, being depreciated:				
Building	36,888,321	-	(303,261)	36,585,060
Improvements other than buildings	81,636,874	3,466,289	(200,567)	84,902,596
Machinery and Equipment	1,013,863	157,853	(23,084)	1,148,632
Intangible Assets	1,305,260	-	-	1,305,260
Total capital assets being depreciated:	120,844,317	3,624,142	(526,912)	123,941,548
Less accumulated depreciation for:				
Buildings	(16,715,265)	(704,272)	140,748	(17,278,789)
Improvements other than buildings	(27,513,736)	(2,651,090)	176,631	(29,988,195)
Machinery and Equipment	(746,121)	(35,260)	23,084	(758,297)
Intangible Assets	(1,069,183)	(51,900)	-	(1,121,082)
Total accumulated depreciation:	(46,044,305)	(3,442,522)	340,463	(49,146,363)
Total capital assets, being depreciated, net:	74,800,012	181,620	(186,448)	74,795,184
Business activities capital assets, net:	\$ 80,571,180	\$ 7,257,117	\$ (3,283,464)	\$ 84,544,833

Depreciation/amortization expense was charged to functions/programs of the City as follows:

Depreciation Expense by Function

Governmental Activities:

General government	\$ 620,238
Public safety	296,141
Culture and recreation	580,584
Transportation	2,421,032
Physical Environment	9,472
Internal service	314,074
Total depreciation expense - Governmental Activities	\$ 4,241,541

Business-Type Activities:

Stormwater	\$ 509,903
Water	855,503
Sewer	771,875
Wastewater Treatment	1,305,241
Total depreciation expense - Business Type Activities	\$ 3,442,522

NOTE 10 – RECORDED VACATION AND SICK LEAVE

In accordance with GASB Statement No. 16, the City accrues vacation and sick leave pay. The accrual is shown on the government-wide statement of Net Position for both governmental and proprietary funds. The accrual is also seen in the separate proprietary fund balance sheets, but is excluded from the separate governmental fund balance sheets since it is not currently due and payable at year-end (please refer to note 14).

NOTE 11 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 9,937,014
Pension assets	\$ 2,535,412
Deferred outflows of resources	\$ 1,606,871
Deferred inflows of resources	\$ (2,136,203)
Pension expense/expenditures	\$ (415,225)

State Sponsored Pension Plans

Substantially all City 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, 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 Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR 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 plan 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 two percent 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 (COLA), 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 percent. 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 percent. 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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City's actual contributions to the plan were \$39,065 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent 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 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 three percent 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 five percent 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 three percent 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 percent and escalate to 15 percent 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 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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City's actual contributions to the plan were \$1,145,495 for the year ended December 31, 2015.

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 year 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 ten years of service. Members are eligible for retirement with five 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 five 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 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent 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 53 with at least five 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 three percent 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 three percent 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 five 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 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$285,130 for the year ended December 31, 2015.

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, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial

assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.5 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 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 6,020,368	\$ 5,324,354	\$ 4,020,004
PERS 2/3	\$ 12,704,739	\$ 4,344,909	\$ (2,055,899)
LEOFF 1	\$ (416,533)	\$ (651,084)	\$ (850,996)
LEOFF 2	\$ 1,887,032	\$ (1,884,327)	\$ (4,722,418)

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), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, city reported a total pension liability of \$6,754,348 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 5,324,354
PERS 2/3	\$ 4,344,909
LEOFF 1	\$ (651,084)
LEOFF 2	\$ (1,884,327)

The amount of the liability/(asset) reported above for LEOFF Plan 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 liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	Liability (or Asset)
LEOFF 2 - Employer's proportionate share	(651,084)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with the employer	(933,510)
TOTAL	(1,584,594)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.097883%	0.101786%	0.003903%
PERS 2/3	0.116539%	0.121602%	0.005063%
LEOFF 1	0.057829%	0.054022%	-0.003807%
LEOFF 2	0.185585%	0.183336%	-0.002249%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent 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 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (99,691)
PERS 2/3	(248,690)
LEOFF 1	4,333
LEOFF 2	(71,177)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, 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	-	291,300
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	293,427	-
TOTAL	293,427	291,300

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	461,865	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,159,885
Changes of assumptions	7,001	
Changes in proportion and differences between contributions and proportionate share of contributions	162,909	-
Contributions subsequent to the measurement date	355,424	-
TOTAL	987,199	1,159,885

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	-	109,916
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	109,916
LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	165,004	-
Net difference between projected and actual investment earnings on pension plan investments	-	570,941
Changes of assumptions	4,970	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,787	-
Contributions subsequent to the measurement date	144,483	-
TOTAL	326,244	570,941

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 year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2016	\$ (112,898)
2017	\$ (112,898)
2018	\$ (112,898)
2019	\$ 47,394
2020	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2016	\$ (206,173)
2017	\$ (206,173)
2018	\$ (206,173)
2019	\$ 90,408
2020	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 1
2016	\$ (42,652)
2017	\$ (42,652)
2018	\$ (42,652)
2019	\$ 18,039
2020	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 2
2016	\$ (515,424)
2017	\$ (515,424)
2018	\$ (515,428)
2019	\$ 227,770
2020	\$ -
Thereafter	\$ -

Firemen's Pension

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 shown as a trust fund in the City's financial reports. Separate financial statements are not issued.

This system is a closed, single-employer, defined benefit pension system. All City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with Revised Code of Washington (RCW) 41.18 and 41.20. At December 31, 2015, there were four retirees receiving pension benefits and three retirees receiving medical benefits from this fund.

Funding Policy and Funding Status

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

Summary of Significant Accounting Policies

Basis of accounting - The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the plan.

Valuation of investments – For reporting, interest earnings are recognized in the accounting period in which they become available and measurable. Investments are reported on the financial statements at fair value based on quoted market prices.

Concentration of Investments

At December 31, 2015, the Fire 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.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Total Pension Liability	\$ 470,852	\$ 480,662
Pension plan fiduciary net position	\$ 203,101	\$ 188,776
Employer's net pension liability	\$ 267,751	\$ 291,886
Pension plan fiduciary net position as a percentage of the total pension liability	43.1%	39.3%

Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.5 percent, 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 Discount Rate (3.5%)	1% Increase
Fireman's Pension	\$ 313,959	\$ 267,751	\$ 227,815

Actuarial Information

The City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions an amendment to GASB No. 27 and No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local government pension plans. On May 5, 2015, Northwest Plan Services, Inc., actuaries and consultants, completed the Firemen's Pension Fund Actuarial valuation. The valuation was updated on December 31, 2014.

The actuarial cost method used in the actuarial valuation report is the Entry Age Normal Cost Method. Under this method, the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of

the Fund's assets. The UAAL is amortized as a level dollar amount over a closed 30 years beginning January 1, 2000.

Significant actuarial assumptions used in the valuation include:

- 3.5 percent investment return, compounded annually
- 3.0 percent annual salary increase
- 2.5 percent growth in fire insurance premium
- 2.5 percent increase in consumer price index
- 6.25 percent increase in medical inflation rate, grading down to 5.0 percent in 2020.
- 5.0 percent increase in long term care inflation rate
- Plan assets are valued at market value

Municipal Employees Benefits Trust (MEBT)

Full- and qualifying part-time City employees participate in the City-defined contribution plan. 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 2015 was \$989,538 which represents its full liability.

For the year ending December 31, 2015, the City's covered payroll was \$16,957,967. The City's total current year payroll for all employees is \$17,369,396. No significant benefit changes occurred in 2015. 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 hold office 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 accompanying financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or 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 by Group Insurance Policy No. SGD 605938 000 000 with Cigna Group Insurance, and 2) each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no City or participant contributions shall be added to his account after retirement), and (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 his account.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits described under "Fireman's Pension," the City provides 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. Generally, benefits under the LEOFF 1 retirement benefit system are greater than or equal to the retirement benefits under the City plan. However, should the benefits under the old law exceed those under LEOFF 1 the City becomes liable for the excess benefits. As such, the laws require the payment of excess benefits

only and do not require a specific contribution rate by the City. At December 31, 2015 there were 27 retirees receiving medical benefits. 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 five years of service in the LEOFF I System are eligible. 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. Post-employment health care benefits are being funded on a pay as you go basis. The actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. The retiree does not contribute towards the cost of his/her medical care. The Schedule of Funding Progress and the Schedule of Employer Contributions for the most recent valuation are located in the Required Supplemental Information section of the City's annual report. The actuarial value of plan assets is unchanged relative to the actuarial accrued liability for benefits. Post-employment health care costs of \$184,991 and long-term care costs of \$106,630 were reported in the LEOFF 1 Medical Reserve Fund 009. At December 31, 2015 there was \$552,341 of cash and cash equivalents available to pay benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending 12/31	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
2013	617,774	57%	712,256
2014	610,453	50%	1,016,048
2015	487,085	66%	1,179,920

The City's annual OPEB and Net OPEB obligation for the current and preceding year were as follows:

	12/31/2013	12/31/2014	12/31/2015
Annual Normal Cost (BOY)	\$ -	\$ -	\$ -
Amortization of UAAL (BOY)	603,904	606,821	498,790
Interest to EOY [(1)+(2)]x(i)*	24,156	21,239	19,952
Annual Required Contribution (ARC) at EOY [(1)+(2)+(3)]	\$ 628,060	\$ 628,060	\$ 516,248
Interest on Net OPEB Obligation	17,838	28,490	35,562
Adjustment to ARC	28,124	46,097	64,725
Annual pension cost (APC) [(4)+(5)-(6)]	\$ 617,774	\$ 610,453	\$ 487,085
Employer Contributions**	351,474	306,661	323,213
Change in Net OPEB Obligation [(7)-(8)]	266,300	303,792	163,872
Net OPEB Obligation at BOY [(11) prior year]	\$ 445,956	\$ 712,256	\$ 1,016,048
Net OPEB Obligation at EOY [(9)+(10)]	\$ 712,256	\$ 1,016,048	\$ 1,179,920

* 'i' is the assumed interest rate that year: 4.0% in 2013, 3.5% in 2014, and 4.0% in 2015.

**Employer contributions for pensions are total contributions net of medical expenses for the year as provided by RCW.41.26.150 and administrative expenses.

Actuarial Information

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions require the disclosure of the employer liability for retiree medical subsidies and other post-employment benefits. On May 5, 2015, Northwest Plan Services, Inc., actuaries and consultants, completed an actuarial valuation as of December 31, 2014. The actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future and subject to revisions. They reflect a long-term perspective.

In order to comply with reporting requirements, they computed the annual required contribution (ARC) using the Entry Age Cost Normal Actuarial Method. The ARC is equal to an amount required each year to fully fund the liability. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund's assets. The UAAL is amortized as a level dollar amount over a closed 30 years beginning January1, 2007.

Significant actuarial assumptions used in the valuation include:

- 3.5 percent investment return, compounded annually
- 2.5 percent increase in consumer price index
- 6.25 percent grading down to 5.0 percent in 2020.
- 5.0 percent increase in long term care inflation rate
- Asset valuation method N/A

NOTE 13 – 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. The revenue bonds are being repaid by the revenues generated by the related utility. In June of 2015, the City issued new Water and Sewer Revenue Bonds in the amount of \$18,740,000 for various capital projects. The City of Edmonds is liable for eight Public Works Trust Fund Loans; three are general obligation loans and five businesses-type loans. The notes 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 12/31/15
Governmental Debt:					
<u>General Obligation Bonds:</u>					
2007 LTGO Bonds - Capital Improvements	3/15/2026	3.65-3.95%	1,384,904	64,876	893,700
2012 LTGO Refunding Bonds	12/1/2031	1.75-3.00%	9,004,043	516,265	6,807,738
Total Governmental GO Bonds			10,388,947	581,141	7,701,438
Business-type Debt:					
<u>General Obligation Bonds:</u>					
2007 LTGO Bonds - Capital Improvements	3/15/2026	3.65-3.95%	3,845,096	180,124	2,481,300
2012 LTGO Refunding Bonds	12/1/2031	1.75-3.00%	320,957	28,735	182,262
Total Business- type GO Bonds			4,166,053	208,859	2,663,562
Total General Obligation Bonds			<u>\$ 14,555,000</u>	<u>\$ 790,000</u>	<u>\$ 10,365,000</u>

Revenue bonds currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/15
Business- type Debt:					
<u>Revenue Bonds</u>					
2011 Water/Sew er Bonds	12/1/2031	3.65-3.95%	\$ 13,720,000	\$ 540,000	\$ 11,670,000
2013 Water/Sew er Bonds	12/1/2038	4.00-5.00%	15,010,000	170,000	14,680,000
2015 Water/Sew er Bonds	12/1/2040	1.50-4.00%	18,740,000	205,000	18,535,000
Total Revenue Bonds			<u>\$ 47,470,000</u>	<u>\$ 915,000</u>	<u>\$ 44,885,000</u>

Loans currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/15
Governmental Debt:					
<u>Loans:</u>					
P W Trust Fund Loan - Street Construction	6/30/2022	0.50%	\$ 340,000	\$ 18,143	\$ 127,003
P W Trust Fund Loan - Street Construction	6/30/2024	0.50%	400,000	21,177	190,588
P W Trust Fund Loan - Street Construction	5/24/2026	0.50%	624,750	32,881	361,698
Fire District One Loan	12/31/2016	0.00%	-	802,030	802,031
2014 Cashmere Bank Loan	12/1/2016	1.00-1.75%	2,763,314	906,908	933,208
Total Governmental Debt Loans			4,128,064	1,781,139	2,414,528
Business-type Debt:					
<u>Loans:</u>					
P W Trust Fund Loan - Trt. Plant/Sew er Improv.	6/30/2022	0.50%	1,347,250	71,325	499,275
P W Trust Fund Loan - Water Improvements	6/30/2024	0.50%	408,000	25,839	232,551
P W Trust Fund Loan - Storm Improvements	6/30/2024	0.50%	605,625	32,062	288,563
P W Trust Fund Loan - Sew er Improvements	6/30/2025	0.50%	1,216,902	72,295	722,952
P W Trust Fund Loan - 09 Water Improvements	7/1/2015	0%	100,000	20,000	-
Department of Ecology	10/31/2033	2.30%	638,540	26,370	594,645
Total Business- type Debt Loans			4,316,317	247,891	2,337,986
Total Loans			\$8,444,381	\$2,029,030	\$4,752,514

Capital Contracts currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/15
Governmental Debt:					
<u>Capital Contracts</u>					
1996 Note - Fire Station #10	01/01/2015	1.00%	\$ 1,136,115	\$ 65,296	\$ -
2005 Contract - Public Safety Radio Equipment	12/01/2019	3.00-5.00%	1,595,046	158,470	490,593
Total Capital Contracts			\$ 2,731,161	\$ 223,766	\$ 490,593

Nonexchange Financial Guarantees currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rate	Original Amount	Principal Amount	Balance 12/31/15
Governmental Debt					
Nonexchange Financial Guarantee					
Edmonds Public Facilities District	12/1/2025	0.45%	\$ 1,312,868	\$ 133,245	\$1,179,623
Total Nonexchange Financial Guarantee			\$ 1,312,868	\$ 133,245	\$ 1,179,623

Debt Limit

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the city's assessed valuation, for a total of seven and one-half percent (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%), a 60 percent vote in favor of the issue by at least 40 percent of the voters voting 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 voters voting 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 voters voting in the last general election.

Debt Limit Capacity

Item	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	Without Vote (Councilmanic)	With Vote	With Vote	With Vote
	1.5%	2.5%	2.5%	2.5%
Legal Limits	\$ 110,535,411	\$ 73,690,274	\$ 184,225,685	\$ 184,225,685
Net outstanding indebtedness	(16,163,319)	(933,208)	-	-
Margin Available	\$ 94,372,092	\$ 72,757,066	\$ 184,225,685	\$ 184,225,685

Refunded Debt

In prior years, the City has defeased 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. 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 as a liability from City financial statements.

Debt Service to Maturity

The requirements to amortize the long-term debt as of December 31, 2015 are presented below. Debt service for the LTGO bonds are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds of the City with the exception of the 2012 LTGO refunding bonds. The PFD is obligated by inter-local agreement to pay the entire amount of the PFD's portion of the 2012 debt service over the life of the bonds. (refer to Note 1 – Reporting Entity). Debt service for the UTGO bonds are covered by property tax levies that authorized the bond issues. Debt service for the revenue bonds is paid by the Utility Fund. Debt service for the capital contracts is expended from the General Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

Following is a table which reflects debt service to maturity for Governmental Activities and Business-Type Activities.

Year	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2016	1,723,610	219,034	1,942,644	1,654,715	1,880,401	3,535,116
2017	826,188	183,432	1,009,620	1,704,839	1,828,498	3,533,337
2018	858,292	163,195	1,021,487	1,758,654	1,774,640	3,533,294
2019	887,484	142,112	1,029,596	1,816,663	1,716,924	3,533,587
2020	794,119	120,203	914,322	1,869,184	1,664,417	3,533,601
2021-2025	3,768,977	339,117	4,108,094	9,910,693	7,333,718	17,244,411
2026-2030	865,858	45,822	911,680	9,744,864	5,602,536	15,347,400
2031-2035	80,000	1,800	81,800	11,326,935	3,654,980	14,981,915
2036-2040	-	-	-	10,100,000	1,103,485	11,203,485
	\$ 9,804,528	\$ 1,214,715	\$ 11,019,243	\$ 49,886,547	\$ 26,559,599	\$ 76,446,146

At December 31, 2015 the City had \$2,975,640 in the Enterprise fund available for debt service.

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, 2015, 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. Please refer to Schedule 15 in the statistical section.

The restricted rate stabilization fund for the utility revenue bonds was established to minimize the effect on rates of revenue fluctuations between years. By transferring cash into this stabilization fund, adjusted net revenue available for debt service, as defined, would be decreased by the amount of the transfer. Conversely, transfers out of the account would increase adjusted net revenue available for debt service.

NOTE 14 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 8,282,579	\$ -	\$ (581,141)	\$ 7,701,438	\$ 603,789
Total bonds payable:	8,282,579	-	(581,141)	7,701,438	603,789
Net Pension Obligation	291,886	7,070,752	(24,135)	7,338,503	-
OPEB payable	1,016,048	163,872	-	1,179,920	-
Compensated absences	2,277,722	1,827,946	(1,825,964)	2,279,704	1,862,482
Capital contracts	714,359	-	(223,766)	490,593	114,412
Governmental Loans	4,195,667	-	(1,781,139)	2,414,528	1,807,439
Nonexchange Financial Guarantee	1,312,868	-	(133,245)	1,179,623	120,000
Governmental activity long-term liabilities	\$ 18,091,129	\$ 9,062,570	\$ (4,569,390)	\$ 22,584,309	\$ 4,508,123
Business-type activities					
Bonds Payable:					
General obligation bonds	\$ 2,872,421	\$ -	\$ (208,859)	\$ 2,663,562	\$ 216,211
Revenue bonds	27,060,000	18,740,000	(915,000)	44,885,000	1,210,000
Less:					
For issuance premiums	491,839	230,976	(27,720)	695,096	36,959
For issuance discount	(10,560)	-	868	(9,692)	(868)
On refunding	-	-	-	-	-
Total bonds payable:	30,413,700	18,970,976	(1,150,711)	48,233,966	1,462,302
Net Pension Obligation	-	2,598,511	-	2,598,511	-
Compensated absences	382,028	364,217	(389,379)	356,866	353,981
Business-type Loans	2,585,877	-	(247,891)	2,337,986	228,504
Business-type activity long-term liabilities	\$ 33,381,605	\$ 21,933,704	\$ (1,787,981)	\$ 53,527,329	\$ 2,044,787

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2015 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 \$37,571 for compensated absences and \$179,207 for net pension obligation.

The General Fund typically is used to liquidate prior years' liability for compensated absences and other post-employment benefit obligations.

NOTE 15 – CONTINGENCIES AND LITIGATIONS

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has a compact with the Washington Cities Insurance Authority (WCIA), an insurance pool to cover these general liability risks. Refer to Note 16 for more detailed information on risk management.

There are several disputes and pending lawsuits in which the City is named. The City Attorney estimates the potential claims against the City not covered by insurance resulting from such disputes and litigation could range from zero to \$150,000 and estimates the likelihood of this range is from reasonably possible to remote.

The City participates in a number of federal- and state-assisted programs. These programs are subject to audit by the governmental unit administering the program or their representative. Such audits could result in requests for reimbursement of disallowed expenditures. Based on audit history, City management believes that any disallowance will be immaterial.

The City Council approved a guaranty of a borrowing of the Edmonds Public Facilities District for up to \$7 million. This guaranty represents an outstanding contingent liability of the City.

NOTE 16 – RISK MANAGEMENT

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 WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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 day to day operations of WCIA.

NOTE 17 – JOINT VENTURE

The City entered into a joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture.

The Snohomish County Emergency Radio System is considered a separate reporting entity. The City's and each participants share of authority is defined by the terms of the enabling charter. Control as represented by the City Council or Board of County Commissioners is divided between the County and participating Cities. Separate financial statements for the Snohomish County Emergency Radio System can be obtained from Snohomish County.

The Snohomish County Emergency Radio System was created by agreement under the Interlocal Cooperation Act (RCW 39.34) between The City of Edmonds, Snohomish County and various other cities and political districts. The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. The City of Edmonds has an 8% interest in the equity and operations of the venture. The City's share of the assets and fund equity as of December 31, 2015 was \$377,922. The venture appears to be accumulating significant resources, and is not experiencing any fiscal stress that would cause an additional financial burden on the participating governments.

The City of Edmonds participates in a single joint venture with other local governments in the "Southwest Snohomish County Public Safety Communications Agency," (SNOCOM) a public non-profit corporation formed in 1971 and incorporated in 2014. The purpose of SNOCOM is to provide public safety communications, records retention and usage and other board approved functions.

SNOCOM was established via an interlocal agreement between the City of Edmonds, six other cities and Snohomish County Fire District 1 all located within the county. Each member city and the Fire District provide voting members to the SNOCOM board of directors. The purpose of SNOCOM is to provide communications and dispatching for public health and safety services in Southwest Snohomish County.

The Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, and Woodway, and Fire District 1 are jointly responsible for the financing of SNOCOM. The interlocal agreement details clearly an allocation formula that determines each member's share in the joint venture and its reported equity interest in their respective financial statements. It incorporates each agency's population, assessed value and usage of 911 calls for service. Each member provides a voting representative to SNOCOM governing board of directors. The SNOCOM board has the authority to approve project expenditures and adopt SNOCOM budget.

At December 31, 2015, the City of Edmonds owned an equity interest in the SNOCOM joint venture of \$965,523. This value has been recorded in the government wide statements as an asset for the year ended December 31, 2015. The equity interest is adjusted to the extent of revenues and expenditure transactions occurring between the City of Mountlake Terrace and SNOCOM as recorded in the City of Mountlake Terrace's financial system. The City of Mountlake Terrace, who acts as the entity's fiscal agent under the Interlocal Agreement for Financial Services signed on November 25, 2009, prepares the unaudited financial information. Separate financial statements for the Snohomish County Public Safety Communication Agency can be obtained from the City of Mountlake Terrace, Finance Department, 6100 219th St SW, Suite 200, Mountlake Terrace, WA 98043.

The City of Edmonds participated in a third single joint venture with other local governments in the "Emergency Services Coordinating Agency" (ESCA) through December 31 2015. Ten member agencies provided the majority of operating revenue to ESCA. The method of allocating

this revenue source is defined in the *Interlocal Agreement for the Emergency Services Coordinating Agency Section 4 Budgeting and Financial Participation 4.1* "Annual budget participation shall be based upon the population of each party compared to the total population of the parties. Operating payments shall be made by January 31 of each year". Section 7 *Term and Dissolution* states, "The value of the assets shall be then apportioned between the parties to the agreement in the same proportion as their financial participation in the budget year of dissolution". On March 26, 2015, the ESCA Governing Board made up of one voting representative from each of the member agencies passed a resolution to dissolve ESCA, effective December 31, 2015. As of December 31, 2015, the City of Edmonds had a 21.15% cash equity interest in the amount of \$75,707 which was disturbed to the City upon dissolution.

In September, 2013, the City of Edmonds joined the cities of Edmonds, 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 the 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. Fiscal agent duties are performed by the City of Mountlake Terrace.

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 three years of organizational start-up. The City of Edmonds's equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Edmonds's Share of Budget	Edmonds Share as % of Total AHA Budget
2013	\$ 89,850	\$ 2,385	2.65%
2014	92,543	2,457	2.65%
2015	123,464	2,381	1.93%
2016	145,590	2,381	1.64%

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 Crystil Wooldridge, Finance Director, City of Mountlake Terrace, 6100 219th Street SW, Mountlake Terrace WA 98043 (or email: cwooldridge@ci.mlt.wa.us) or from Kristina Gallant, Housing Analyst, Alliance for Housing Affordability, 12625 4th Ave W, Suite 200, Everett, WA 98204.

NOTE 18 – COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2015, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

Contract Name	Original Amount	Expenditures to Date	Remaining Commitment
15th St. SW Walkway	40,987	7,540	33,447
2015 Citywide Drainage Improvements/Rehab Projects	170,375	47,503	122,871
2015 Overlay Program	35,302	34,701	601
2015 Sewerline Replacement Project	1,463,682	1,290,554	173,128
2015 Waterline Replacement Project	2,620,941	2,127,853	493,088
2016 Sanitary Sewer Replacement Projects	158,123	77,999	80,124
2016 Water Comp Plan Update	157,576	34,275	123,302
2016-2017 Waterline Replacement Program	345,282	159,111	186,171
220th St. SW Overlay	831,014	644,974	186,040
228th St. SW Corridor Improvement Project	743,219	649,284	93,935
228th St. SW Corridor Improvement Project & Hwy 99 Phase III	5,770,276	4,571,738	1,198,538
238th Walkway Project	1,535,505	954,557	580,948
76th Ave W & 212th St. SW Intersection	518,755	450,359	68,396
ADA Curb Ramp Upgrades along 3rd Ave S	78,881	67,756	11,125
Bikelink Project	156,435	72,359	84,076
Capital Project CM, Engineering & Inspection	463,200	399,523	63,677
Cedar Street ROW	8,500	2,802	5,698
City Park Spray-Park	795,289	781,793	13,496
Citywide CIPP Sewer Rehab	53,000	35,666	17,334
Dayton St. Utility Replacement (3rd to 9th)	38,832	-	38,832
Dayton Street Storm Improvements (6th Ave - 8th Ave)	44,789	1,015	43,774
Dayton Street Stormwater Pump Station	90,877	88,622	2,255
Edmonds Fishing Pier Rehab	228,500	143,175	85,325
Edmonds Marsh Feasibility Study - Willow Creek Daylighting	377,858	320,903	56,955
Edmonds Waterfront Access Analysis	584,747	89,893	494,854
Five Corners Recoating Project	71,019	30,983	40,036
Five Corners Roundabout	695,342	667,928	27,414
Hwy 99 Enhancements (Phase III)	85,194	77,408	7,787
LID Retrofits Perrinville Creek Stormwater Flow Reduction Project	98,327	98,305	22
Lift Station #1 Basin & Flow Study	173,702	48,679	125,023
Madrona School Walkway Project	65,945	53,742	12,203
Perrinville Creek Stormwater Flow Reduction Retrofit Study	365,083	365,030	53
Standard Details Update	56,900	50,347	6,553
Stormwater Development Review Support	48,110	20,454	27,656
Sunset Walkway Project	90,800	83,429	7,371
SW Edmonds - 105th/106th Ave W Storm Improvements	90,501	81,944	8,557
Transportation Plan Update	164,969	163,304	1,665
Update Stormwater Mgmt Code & Associated Docs	97,932	40,564	57,368
Water Modeling Services	20,000	15,455	4,545
Wayside Horns Agreement	208,042	1,882	206,160
C412 Control System Upgrade	1,579,262	951,262	628,000
2014 Energy Improvements	1,206,104	910,172	295,932
2015 Energy Project design	96,780	76,000	20,780
	\$ 22,525,958	\$ 16,790,845	\$ 5,735,113

NOTE 19 – NONEXCHANGE FINANCIAL GUARANTEE

In 2008, the City of Edmonds guaranteed the 17 year, \$4 million general obligation bond issuance of the Edmonds Public Facilities District (PFD), a legally separate district within the City, in accordance the authority provided by the Washington State Legislature and codified in Revised Code of Washington chapters 35.57 and 39.46. The bonds mature annually through December 1, 2025, with semiannual interest payments. In the event that the PFD is unable to make a payment, City of Edmonds will be required to loan the PFD proceeds so that the PFD can make the required payment. As of December 31, 2015, the City has loaned the PFD a total of \$1,043,691. The City of Edmonds determined that it was more likely than not that the City would be required to continue loaning portions of the PFD's debt service payments based on this guarantee. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee. The City expects to recover the entire balance of current and future loans to the PFD.

The liability recognized for nonexchange financial guarantees by the City of Edmonds at December 31, 2015, is as follows:

<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
\$ 1,312,868	\$ -	\$ 133,245	\$ 1,179,623

NOTE 20 – SUBSEQUENT EVENT

On February 9, 2016, the City purchased Civic Field from the Edmonds School District for \$1.9 million with the help of \$1.4 million grant.

NOTE 21 – HEALTH AND WELFARE

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, 2015, 261 cities/towns/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. 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 run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC 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 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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 Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). 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.

FIREMEN'S PENSION TRUST FUND

City of Edmonds Schedule of Employer Contributions Firefighters' Pension Fund Last 10 Fiscal Years

Page 1 of 2

	2015	2014	2013	2012
Actuarially determined contribution	\$ 25,353	\$ 44,223	\$ 44,223	\$ 38,602
Actual contribution	38,775	21,581	(3,576)	42,004
Contribution deficiency (excess)	<u>\$ (13,422)</u>	<u>\$ 22,642</u>	<u>\$ 47,799</u>	<u>\$ (3,402)</u>
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a % of covered-employee payroll	N/A	N/A	N/A	N/A

City of Edmonds Schedule of Investment Returns Firefighters' Pension Fund Last 10 Fiscal Years

Page 1 of 2

	2015	2014	2013	2012
Annual money-weighted rate of return, net of investment expense	0.83%	0.35%	0.17%	0.14%

2011	2010	2009	2008	2007	2006
\$ 38,602	\$ 40,903	\$ 40,903	\$ 28,629	\$ 28,629	N/A
(6,229)	31,197	33,583	39,702	16,956	N/A
<u>\$ 44,831</u>	<u>\$ 9,706</u>	<u>\$ 7,320</u>	<u>\$ (11,073)</u>	<u>\$ 11,673</u>	<u>N/A</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A

2011	2010	2009	2008	2007	2006
0.16%	0.26%	1.30%	2.44%	N/A	N/A

RETIREE MEDICAL AND LONG-TERM CARE BENEFITS
FOR LEOFF 1 EMPLOYEES

SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2010	-	9,607	9,607	0%	N/A	N/A
December 31, 2012	-	9,576	9,576	0%	N/A	N/A
December 31, 2014	-	7,628	7,628	0%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending 12/31	Total Employer Contributions** *	Annual Required Contribution	Percentage of ARC Contributed**
2010	523,170	593,330	88%
2011	539,097	601,084	90%
2012	583,173	601,084	97%
2013	351,474	628,060	56%
2014	306,661	628,060	49%
2015	323,213	516,248	63%

City of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Employer's proportion of the net pension liability (asset) _____	% 0.101786%
Employer's proportionate share of the net pension liability _____	\$ 5,324,354
Employer's covered employee payroll _____	\$ 193,611
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll _____	% 2750.03%
Plan fiduciary net position as a percentage of the total pension liability _____	% 59.10%

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

City of Edmonds
Schedule of Employer Contributions
PERS 1
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Statutorily or contractually required contributions _____	\$ 31,297
Contributions in relation to the statutorily or contractually required contributions _____	\$ (31,297)
Contribution deficiency (excess) _____	\$ <u>0</u>
Covered employer payroll _____	\$ 193,611
Contributions as a percentage of covered employee payroll _____	% -16.17%

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

City of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
PERS 2, 3
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	% 0.121602%
Employer's proportionate share of the net pension liability	\$ 4,344,909
Employer's covered employee payroll	\$ 5,705,025
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% 76.16%
Plan fiduciary net position as a percentage of the total pension liability	% 89.20%

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

City of Edmonds
Schedule of Employer Contributions
PERS 2, 3
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 355,424
Contributions in relation to the statutorily or contractually required contributions	\$ (355,424)
Contribution deficiency (excess)	\$ 0
Covered employer payroll	\$ 5,705,025
Contributions as a percentage of covered employee payroll	% -6.23%

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

City of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	% 0.054022%
Employer's proportionate share of the net pension liability	\$ (651,084)
Employer's covered employee payroll	\$ 0
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% 0.00%
Plan fiduciary net position as a percentage of the total pension liability	% 127.36%

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

City of Edmonds
Schedule of Employer Contributions
LEOFF 1
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 0
Contributions in relation to the statutorily or contractually required contributions	\$ 0
Contribution deficiency (excess)	\$ 0
Covered employer payroll	\$ 0
Contributions as a percentage of covered employee payroll	% 0.00%

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

City of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Employer's proportion of the net pension (asset) _____	% 0.183336%
Employer's proportionate share of the net pension (asset) _____	\$ (1,884,327)
State's proportionate share of the net pension liability (asset) associated with the employer _____	\$ (409,091)
TOTAL _____	\$ <u>(2,293,418)</u>
Employer's covered employee payroll _____	\$ 2,861,034
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll _____	% -80.16%
Plan fiduciary net position as a percentage of the total pension liability _____	% 111.67%

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

City of Edmonds
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Statutorily or contractually required contributions _____	\$ 144,483
Contributions in relation to the statutorily or contractually required contributions _____	\$ <u>(144,483)</u>
Contribution deficiency (excess) _____	\$ <u>0</u>
Covered employer payroll _____	\$ 2,861,034
Contributions as a percentage of covered employee payroll _____	% -5.05%

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

City of Edmonds
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Fund
Last 10 Fiscal Years*

	2015	2014	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Total pension liability										
Service cost	\$ -	\$ -								
Interest	16,365	30,016								
Changes in benefit terms	-									
Differences between expected and actual experience	-	(256,011)								
Changes of assumptions	-	(31,502)								
Benefit payments, including refunds of contributions	(26,175)	(24,481)								
Net change in total pension liability	(9,810)	(281,978)								
Total pension liability - beginning	480,662	762,640								
Total pension liability - ending (a)	\$ 470,852	\$ 480,662								
Plan fiduciary net position										
Contributions - employer	38,775	21,581								
Contributions - nonemployer contributing entities	-	-								
Contributions - employee	-	-								
Net investment income	1,629	662								
Benefit payments, including refunds of contributions	(26,175)	(24,481)								
Administrative expense	-	-								
Other	96	-								
Net change in plan fiduciary net position	14,325	(2,238)								
Plan fiduciary net position - beginning	188,776	191,014								
Plan fiduciary net position - ending (b)	203,101	188,776								
Net pension liability ending (a) - (b)	267,751	291,886								
Plan fiduciary net position as a % of total pension liability (b)/	43.13%	39.27%								
Covered-employee payroll	N/A	N/A								
Net pension liability as a % of covered employee payroll	N/A	N/A								

*2014 is the first year for which information is available

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

FIREMEN'S PENSION TRUST FUND

Actuarial Valuations	
Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry age normal
Amortization method	30 year, closed as of January 1, 2000
Remaining amortization period	15
Asset valuation method	Fair market value
Assumptions	
Investment rate of return	3.50%
Projected salary increases	3.00%
Price inflation	2.50%
	Based upon salary increase assumptions when appropriate for Trust benefits. *
	Based upon inflation assumption for some Trust benefits and all LEOFF benefits.

* Under the Firemen's Pension Trust Fund, most adjustments are based on the change in salary for the rank of members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

Changes in Assumptions since Prior Valuation:

The interest rate was reduced from 4.0% to 3.5% per annum. The assumed wage increase, used to estimate future cost-of-living increases in the total pension amount paid to retirees, was reduced from 3.5% to 3.0% per annum. The mortality table was updated from RP-2000 projected to 2015 with Scale AA to RP-2000 projected to 2025 with Scale BB.

RETIREE MEDICAL AND LONG-TERM CARE BENEFITS FOR LEOFF 1 EMPLOYEES

Actuarial Valuations	
Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry age normal
Amortization method	30 year, closed as of January 1, 2007
Remaining amortization period	22
Asset valuation method	Fair market value
Assumptions	
Investment rate of return	3.50%
Medical inflation rate	6.25%, downgrading to 5.00% over nine years
Long-term care inflation	5.00%

CITY OF EDMONDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2015

1	2	3	4	5		6	7
				From	Expenditures		
	Federal Program	CFDA Number	Other Award Number	Pass-Through Awards	From Direct Awards	Passed through to Subrecipients	Note
Housing and Urban Development (Snohomish County Human Services Department)	Community Development Block Grants	14.218	HCS-13-21-1302-224	58,659	-	58,659	1.2
		Total Community Development Block Grant		58,659	-	58,659	
Department of the Interior	Historic Preservation Fund Grants-In-Aid	15.904	53-10-AP-5051	-	7,750	7,750	1.2
		Total Historic Preservation Fund Grants-In-Aid			7,750	7,750	
US Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	3,018	3,018	1.2
		Total Bulletproof Vest Partnership Program			3,018	3,018	
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	CN4-2312 (007)	37,905	-	37,905	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2502 (001)	2,645,295	-	2,645,295	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	CN4-2342(001)	1,507	-	1,507	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSP-0099(124)	484,287	-	484,287	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-036(010)	42,627	-	42,627	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	CN4-2311(004)	405,373	-	405,373	1.2
U.S. DOT (Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2506(004)	580,911	-	580,911	1.2
		Total Highway Planning and Construction		4,197,905	-	4,197,905	
U.S. DOT (Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	11,634	-	11,634	1.2
U.S. DOT (Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,757	-	1,757	1.2
		Total State and Community Highway Safety		13,391	-	13,391	
Department of Energy (Department of Commerce)	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Assistance	81.117	F14-52117-015	3,750	-	3,750	1.2
		Total Energy Efficiency and Renewable Energy		3,750	-	3,750	
Department of Homeland Security (Seattle Fire Department)	Port Security Grant Program	97.056	N/A	492	-	492	1.2
		Total Port Security Grant Program		492	-	492	
Total Federal Awards Expended				\$4,274,197	\$10,768	\$4,284,965	\$0

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Edmond's 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 – 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 3 – REVOLVING LOAN – PROGRAM INCOME

The City does not have any revolving loans.

NOTE 4 – FEDERAL LOANS

The City does not have any federal loans.

NOTE 5 – INDIRECT COST RATE

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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