Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lynnwood Public Facilities District

For the period January 1, 2019 through December 31, 2019

Published June 8, 2020

Report No. 1026347

Office of the Washington State Auditor
Pat McCarthy

June 8, 2020

Board of Directors
Lynnwood Public Facilities District
Lynnwood, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Lynnwood Public Facilities District
January 1, 2019 through December 31, 2019

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

<table>
<tr><td colspan="2">Audit Period:
January 1, 2018 through December 31, 2018</td><td>Report Ref. No.:
1024259</td><td>Finding Ref. No.:
2018-001</td></tr>
<tr><td colspan="4">Finding Caption:
The District’s internal controls over financial statement preparation were not adequate to ensure accurate reporting.</td></tr>
<tr><td colspan="4">Background:
District management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting.
Our audit identified deficiencies in controls that are a material weakness. These deficiencies hinder the District’s ability to accurately present their financial statements. Government Auditing Standards requires that the auditor communicate a material weakness in internal controls as a finding.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)</td></tr>
<tr><td>☒ Fully Corrected</td><td>☐ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The Financial statements were corrected prior to the issuance of the 2018 Audit Report.
The Audit Report correctly reflected this change, as follows:
The District's financial statements understated Net Investment in Capital Assets and overstated Unrestricted Net Position, each by $5,581,190. This classification error was material to the financial statements.
The District corrected the errors and received an unmodified opinion on the financial statements.
The Audit Report also recommended "District staff research and seek technical guidance for complex calculations to ensure the financial statements are prepared in compliance with generally accepted accounting principles (GAAP)."The Audit Finding was not at all related to the "complex calculations"</td></tr>
</table>

necessary to comply with GASB 49. Instead, the Finding came from the District's simple difference of interpretation, whereby the District initially recorded its environmental liability in the calculation of Net Investment of Capital Assets. This was corrected prior to the issuance of the 2018 Audit Report; the environmental liability was correctly recorded in Unrestricted Fund Balance.

The District fully researched GASB 49 and its related calculations prior to the audit. The District also asked the Auditor for technical guidance for the referenced "complex calculations" prior to the audit.

While the District appreciates the Auditor's recommendations, this particular one was not germane to a Finding.

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*

Lynnwood Public Facilities District
January 1, 2019 through December 31, 2019

Board of Directors
Lynnwood Public Facilities District
Lynnwood, 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 Lynnwood Public Facilities District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 2, 2020.

As discussed in Note 16 to the financial statements, in March 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. As a result, economic uncertainties have arisen that could have a negative financial effect on the District.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

June 2, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lynnwood Public Facilities District
January 1, 2019 through December 31, 2019

Board of Directors
Lynnwood Public Facilities District
Lynnwood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Lynnwood Public Facilities District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 12.

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 an opinion 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lynnwood Public Facilities District, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, in March 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. As a result, economic uncertainties have arisen that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

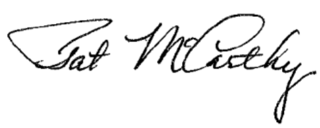
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 12 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards,* we have also issued our report dated June 2, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

June 2, 2020

FINANCIAL SECTION

Lynnwood Public Facilities District
January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019
Statement of Revenues, Expenses and Changes in Net Position – 2019
Statement of Cash Flows – 2019
Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2019
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019
Notes to Schedule – 2019
Schedule of Changes in OPEB Liability and Covered Payroll – 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Lynnwood City Council formed the South Snohomish County Public Facilities District on August 24, 1999 by adoption of Ordinance No. 2266. The name of the District was changed to the Lynnwood Public Facilities District (District) on May 6, 2003. The District was created under the authority provided by the Washington State Legislature during the 1999 legislative session and since codified as RCW 35.57. The purpose of the Public Facilities District is to construct and operate a "regional center" in the City of Lynnwood. 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 District and is appointed to four-year terms by the Lynnwood City Council.

The District has authority under State law to issue debt, levy certain taxes, and enter into contracts. State legislation required that the District commence construction of its regional center by January 1, 2004. The District did in fact begin construction of the Lynnwood Convention Center on October 21, 2003. Construction was completed in March 2005, and the facility opened on April 30, 2005.

The District completed its long-term financing in January 2005 and used it to pay off short-term debt. The Lynnwood Public Facilities District was one of the first Public Facilities Districts in the state to replace its interim financing with long-term fixed-rate debt. In 2015, the District refinanced its long-term financing to take advantage of lower interest rates.

As management of the District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. We also encourage readers to supplement this report with information contained in the City of Lynnwood's Annual Financial Report.

This discussion and analysis of the Lynnwood Public Facilities District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Please review it in conjunction with the District's financial statements. These discussions will focus on current year data. Three primary financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.

FINANCIAL HIGHLIGHTS

- The District's overall financial position increased by $1,934,785 or 49.4%.
- The District's total assets exceeded its liabilities at December 31, 2019 by approximately $5.8 million.
- The District's operating loss after depreciation of $735,947 was $597,032.
- The District added almost $463,277 of capital assets in 2019, including new chairs, oven, and IT upgrades for the Convention Center.
- The Lynnwood Convention Center required a subsidy for the first time since 2013. The Lynnwood Convention Center's gross revenue for 2019 was over $4 million.
- In 2019, the Lynnwood Convention Center events generated an estimated $22.9 million dollars in direct and indirect economic impact and an estimated 21,833 hotel room nights.
- Revenue from leased retail space (Convention Plaza) increased by 10% from the prior year.
- Lynnwood sales tax revenue increased 3.7% from 2018 to 2019.

FINANCIAL ANALYSIS - REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Summary of Revenues, Expenses and Changes in Net Position				
	2019	**2018**	**Increase (Decrease)**	**Change**
Operating Revenues	5,161,784	4,522,479	639,305	14.1%
Non-Operating Revenues	3,626,120	3,739,977	(113,857)	-3.0%
Total Revenues	8,787,904	8,262,456	525,448	6.4%
Operating Expenses	5,758,816	5,005,197	753,619	15.1%
Non-Operating Expenses	1,094,302	850,799	243,503	28.6%
Total Expenses	6,853,118	5,855,996	997,122	17.0%
Increase (Decrease) in Net Position	**1,934,785**	**2,406,460**	**(471,675)**	**-19.6%**

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

Operating revenues increased by $639,305 (or 14.1%), primarily due to more business/revenue from the Convention Center. Operating expenses increased by $753,619 (or 15.1%), primarily due to the business activity and labor costs at the Lynnwood Convention Center.

Non-operating revenue decreased by $113,857 (or 3%) largely due to not receiving as large of a grant from the Snohomish County LTAC for specified projects that was received in 2018. Non-operating expenses of $1,094,302 are due to the payment of the scheduled interest expense and environmental remediation costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements: Included are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and, the Notes to the Financial Statements.

- The *Statement of Net Position* focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets and deferred outflows of the District, the liabilities and deferred inflows it owes, and the net difference.
- The *Statement of Revenues, Expenses and Changes in Net Position* presents both operating and non-operating revenues, expenses, and other revenues and expenses for the District. Changes in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Position.

  Operating revenues are received for providing goods and services to the various customers of the District. Operating expenses are those expenses paid to acquire goods and services. Non-operating revenues are revenues received for which no goods or services have been provided. For example, PFD Sales Tax Revenue is non-operating because it is provided without a corresponding receipt of goods and services.
- The final statement presented by the District is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. There are five sections to the statement. The first section reflects the cash flows from operating activities and reflects the net cash used by operating activities. The second section details the cash flows from non-capital and related financing activities which reflect the PFD sales tax and Hotel/Motel tax received. The third section details the cash flows from capital and related financing activities. This represents the cash used for the acquisition of capital and related items. The fourth section reflects the cash flows from investing activities. The fifth section reconciles Net Cash Used to the Operating Income or Loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

FINANCIAL ANALYSIS

The District has presented its financial statements under the reporting model as required by the Governmental Accounting Standard Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments. The District's overall financial position increased by $1,934,785 or 49.4%.

Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the District's financial position. The District's net position at December 31, 2019 totaled approximately $5.9 million. Following is a condensed version of the Statement of Net Position.

Condensed Statement of Net Position				
	2019	**2018**	**Increase (Decrease)**	**Change**
Assets				
Current and other assets	11,917,538	11,245,195	672,343	6.0%
Non-current assets	23,043,652	23,316,323	(272,671)	-1.2%
Total Assets	**34,961,190**	**34,561,518**	**399,672**	**1.2%**
Deferred Outflows	**48,580**	**48,622**	**(42)**	**-0.1%**
Liabilities				
Current and other liabilities	3,086,423	3,677,429	(591,006)	-16.1%
Long-term obligation	25,980,370	26,924,798	(944,428)	-3.5%
Total Liabilities	**29,066,793**	**30,602,227**	**(1,535,434)**	**-5.0%**
Deferred Inflows	**91,427**	**91,147**	**280**	**0.3%**
Net Position				
Net investment in capital assets	1,146,945	(355,693)	1,502,638	-422.5%
Restricted	1,000,000	1,000,000	-	0.0%
Unrestricted	3,704,605	3,272,456	432,149	13.2%
Total Net Position	**5,851,550**	**3,916,763**	**1,934,785**	**49.4%**

Change in Net Position

The change in net position table illustrates the increase or decrease in net position of the District resulting from its current year operating activities. In 2019, the District's net position increased by $1,934,785.

Following is a condensed version of the District's Statement of Revenues, Expenses and Changes in Fund Net Position.

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position				
	2019	2018	Increase (Decrease)	Change
Revenues				
Operating revenues				
Rental income and other operating income	5,161,784	4,522,479	639,305	14.1%
Non-operating revenues				
Intergovernmental revenue	3,365,675	3,554,316	(188,641)	-5.3%
Interest revenue	259,825	184,834	74,991	40.6%
Admission tax revenue	620	827	(207)	0.0%
Total Revenues	**8,787,904**	**8,262,456**	**525,448**	**6.4%**
Expenses				
Operating Expenses				
Supplies and contractual services	5,022,870	4,371,766	651,104	14.9%
Depreciation	735,947	633,430	102,517	16.2%
Non-operating expenses				
Environmental Remediation	327,606	51,353	276,253	537.9%
Interest expense	766,696	799,447	(32,751)	-4.1%
Total Expenses	**6,853,119**	**5,855,996**	**997,123**	**17.0%**
Increase (Decrease) in Net Position	**1,934,785**	**2,406,460**	**(471,675)**	**-19.6%**
Net Position Beginning	3,916,762	7,682,256	(3,765,494)	-49.0%
Change in Accounting Principles	-	(6,171,954)		
Net Position Ending	**5,851,550**	**3,916,762**	**1,934,785**	**49.4%**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District owned land, buildings and capital projects valued at $23 million. The District increased capital assets in 2019 with additional equipment for the Lynnwood Convention Center and capital improvements for the Lynnwood Convention Plaza. For additional information refer to Note 5.

Debt

The original amount of Long-Term Debt (2005) included $1.93 million Series A Sales Tax Bonds (taxable), $10 million Series B (tax-exempt) Sales Tax Bonds and $17.265 million Revenue Bonds (also tax exempt). The Series A Sales Tax Bonds were paid off in 2014. In 2015, the District refinanced the Series B Sales Tax Bonds and Revenue Bonds. A summary of the debt balance at December 31, 2019 follows:

	12/31/2019
General Obligation Bonds	6,516,700
Revenue Bonds	14,570,000
Premium on Revenue Bonds	799,132
Total Bonds Payable	21,885,832

Bond covenants require contingency and debt service reserves; for additional information see Note 6 – Restricted Assets. For additional information regarding long-term debt activity refer to Note 8 - Long Term Debt.

ECONOMIC OUTLOOK

The COVID-19 pandemic is causing a significant loss of business at the Convention Center and has forced the District to offer rent deferrals to Convention Plaza tenants. The full financial effect of the pandemic is unknown at this time. However, the District has sufficient assets to absorb short-term losses.

The District derives approximately 59% of its tax revenue from sales taxes. Of this total, 42% is guaranteed by interlocal agreement with Snohomish County, while the remaining 58% varies with the growth and decline of sales tax revenue within the City of Lynnwood. Overall, Lynnwood PFD sales tax revenue grew by 7.7% in 2016, 1.9% in 2017, 5% in 2018 and 3.7% (without change in accrual - see explanation below) in 2019. Sales tax revenue is budget to grow by 3% in 2020, but with the current COVID-19 pandemic that increase will be unlikely.

In prior years, the District has accrued sales tax revenue when it is received rather than when it is earned. In 2018, the District corrected the way that it accrues sales tax to reflect when it is earned. Therefore, there are an additional two months of sales tax (or $188,573) included in the Lynnwood Sales Tax revenue for 2018.

Hotel/Motel tax is guaranteed through interlocal agreements with both the City of Lynnwood and Snohomish County. The District receives this revenue at approximately a 3% increase per year.

The following table compares 2018 and 2019 non-operating PFD hotel/motel and sales tax revenues.

Governmental Tax Revenue			
	2019	**2018**	**% Change**
Lynnwood Sales Tax	1,011,831	1,163,033	-13.0%
Lynnwood Hotel Tax[1]	510,730	495,854	3.0%
Snohomish County Sales Tax[1]	812,964	778,368	4.4%
Snohomish County Sales Tax 2nd Tier	199,334	148,117	34.6%
Snohomish County Hotel Tax[1]	779,160	749,192	4.0%
Total	**3,314,019**	**3,334,564**	**-0.6%**

[1] Amount guaranteed by contract

The following table compares budgeted and actual PFD hotel/motel and sales tax revenues in 2019.

Governmental Tax Revenue			
	2019 Actual	**2019 Budget**	**% Variance**
Lynnwood Sales Tax	1,011,831	994,369	1.7%
Lynnwood Hotel Tax[1]	510,730	510,730	0.0%
Snohomish County Sales Tax[1]	812,964	812,964	0.0%
Snohomish County Sales Tax 2nd Tier	199,334	199,334	0.0%
Snohomish County Hotel Tax[1]	779,160	779,160	0.0%
Total	**3,314,019**	**3,296,557**	0.5%

[1] Amount guaranteed by contract

On January 1, 2010, Washington State implemented the Streamlined Sales and Use Tax Agreement (SSTA) – a national tax simplification effort – whereby the State changed its method of allocating sales tax such that sales tax is allocated to the point of delivery rather than to point of sale. This change has affected sales tax revenues by shifting revenues among local taxing jurisdictions with some jurisdictions losing revenues and other jurisdictions gaining revenues. The Washington State Legislature identified a process to mitigate the impact of SSTA on Public Facilities Districts, giving PFDs the ability to raise their sales tax rate from .033%, in increments of .001%, up to .037%, in order to recover the loss in revenue. As a result, the Lynnwood PFD was able to raise its rate to .034% effective January 1, 2010; to .035% effective January 1, 2011; and subsequently, to .036% effective January 1, 2012.

In 2015, the District refinanced outstanding debt in order to take advantage of lower interest rates. The 2015 Refunding Bonds were structured such that the interest savings are available over the next several years. This structure allows interest savings to be dedicated to capital projects, including Environmental Remediation and changes to the Convention Plaza.

In addition to debt service savings, a second goal of the refunding was to reduce the par amount of bonds outstanding. Due to a State Supreme Court decision, the amount of limited tax general obligation bonds that the City of Lynnwood can issue is reduced by the District's bonds covered by Lynnwood's Contingent Loan Agreement. This relatively new court decision resulted in a significant decrease in the City's legal debt capacity. With this refunding, the par amount of revenue bonds was reduced by $785,000 since a portion of the 2015 Revenue Refunding Bonds were sold at a premium.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impacts could occur; however, the total impact is unknown at this time. The District is closely monitoring the impacts and all financial consequences that may arise from this pandemic.

CONTACTING THE LYNNWOOD PFD

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lynnwood PFD Administrative Offices at 3815 196th Street SW, Suite 136, Lynnwood, WA 98036.

LYNNWOOD PUBLIC FACILITIES DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	7,374,556
Investments		2,032,023
Restricted-Cash and Cash Equivalents		745,457
Restricted-Contingency Reserves		1,000,000
Receivables, net		661,486
Prepaid Expenses		75,569
Inventory		28,447
TOTAL CURRENT ASSETS		11,917,538
Noncurrent Assets:		
Capital Assets not Being Depreciated:		
Land		6,788,800
Construction in Progress		177,326
Capital Assets, net of accumulated depreciation:		
Infrastructure		18,521
Capital Improvements		1,630,698
Capital Assets- Convention Center		299,994
Repair, Replace, Rehab Assets - Convention Center		838,075
Lynnwood Convention Center Building		13,290,238
TOTAL NONCURRENT ASSETS		23,043,652
TOTAL ASSETS		34,961,190
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		23,773
Deferred Outflows Related to Pensions		24,807
TOTAL OUTFLOWS OF RESOURCES		48,580
LIABILITIES		
Current Liabilities:		
Accounts Payable		333,683
Accrued Expenses		148,751
Advance Deposits - LCC		604,729
B&O Tax Deposit		41,161
Current Portion of Compensated Absences		39,282
Current Portion of Environmental Remediation		35,400
Current Portion of Long-Term Obligations		1,883,417
TOTAL CURRENT LIABILITIES		3,086,423
Noncurrent Liabilities:		
Compensated Absences		7,993
Series B Sales Tax Bonds (Non-Taxable)		5,485,400
Revenue Bonds and Premium		14,517,014
Environmental Remediation		5,755,699
Security Deposits		45,457
Net Pension Liability		95,395
OPEB Liability		73,412
TOTAL NON-CURRENT LIABILITIES		25,980,370
TOTAL LIABILITIES		29,066,793
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding		34,649
Deferred Inflows Related to Pensions		56,778
TOTAL INFLOWS OF RESOURCES		91,427
NET POSITION		
Net Investment in Capital Assets		1,146,945
Restricted for Debt Service - Contingent Loan Agreement		1,000,000
Unrestricted		3,704,605
TOTAL NET POSITION		5,851,550

The accompanying Notes to Financial Statements are an integral part of this statement.

LYNNWOOD PUBLIC FACILITIES DISTRICT	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	
YEAR ENDED DECEMBER 31, 2019	
OPERATING REVENUES	
Revenue - Convention Plaza	1,051,421
Revenue - Lynnwood Convention Center	4,078,820
Other Operating - PFD	31,543
TOTAL OPERATING REVENUES	5,161,784
OPERATING EXPENSES	
Costs of Sales and Services - Convention Plaza	339,487
Administration and General	531,578
Lynnwood Convention Center Operations	4,151,804
Depreciation Expense	735,947
TOTAL OPERATING EXPENSES	5,758,816
OPERATING INCOME (LOSS)	(597,032)
NON-OPERATING REVENUES (EXPENSES)	
PFD Sales Tax	1,011,831
City Of Lynnwood Hotel/Motel Tax	510,730
Snohomish County Hotel/Motel Tax	779,160
Snohomish County Sales Tax	812,964
Snohomish County Second Tier Sales Tax	199,334
Snohomish County Project Grant	50,000
City of Lynnwood - Temporary Construction Easement	1,656
Admission Tax	620
Interest Income	259,825
Environmental Remediation	(327,606)
Interest Expense/Financing Costs	(766,696)
TOTAL NON-OPERATING REVENUES	2,531,818
Net Income (Loss)	1,934,788
Total Net Position - Beginning	3,916,762
Total Net Position - Ending	5,851,550
The accompanying Notes to Financial Statements are an integral part of this statement.	

Lynnwood Public Facilities District Statement of Cash Flows Year Ended December 31, 2019	
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Tenants	5,029,667
Cash Paid to Suppliers and Employees	(4,866,002)
Deposits Received from Customers/Tenants	(92,523)
Net Cash Provided (Used) by Operating Activities	71,141
Cash Flows from Non-Capital Financing Activities:	
PFD Sales Tax	1,011,831
Snohomish County Sales Tax	812,964
Hotel/Motel Tax - City of Lynnwood	510,730
Hotel/Motel Tax - Snohomish County	779,160
Snohomish County Second Tier Sales Tax	199,334
Snohomish County Project Grant	50,000
City of Lynnwood - ROW and Easement	1,656
Admission Tax	620
Net Cash Provided (Used) by Non-Capital Financing Activities	3,366,295
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(436,911)
Principal payment on Sales Tax Bonds - Refunding	(994,000)
Principal payment on Revenue Bonds - Refunding	(725,000)
Environmental Remediation	(327,606)
Interest Paid on Debt	(766,696)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,250,214)
Cash Flows from Investing Activities:	
Proceeds from Interest and Investment Income	259,825
Net Cash Provided (Used) by Investing Activities	259,825
Increase (Decrease) in Cash and Cash Equivalents	447,047
Cash and Cash Equivalents, January 1, 2019	7,672,966
Cash and Cash Equivalents, December 31, 2019	8,120,013
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(597,032)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	735,947
Change in Assets & Liabilities:	
(Increase) Decrease in Accounts Receivable	(128,108)
(Increase) Decrease in Prepaid Assets	657
(Increase) Decrease in Inventory	(4,667)
Increase (Decrease) in Accounts Payable	67,111
Increase (Decrease) in Deferred Items	16,588
Increase (Decrease) in Accrued Expenses	65,695
Increase (Decrease) in Advanced Deposits	(69,691)
Increase (Decrease) in B&O Tax Deposit	(22,833)
Increase (Decrease) in Compensated Absences	24,061
Increase (Decrease) in Pensions	(31,696)
Increase (Decrease) in OPEB	15,109
Total Adjustments	668,173
Net Cash Provided (Used) by Operating Activities	71,141

The accompanying Notes to Financial Statements are an integral part of this statement.

JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

The accompanying notes are an integral part of the enclosed financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. **Organization and Purpose**
The Lynnwood Public Facilities District was created by the City of Lynnwood through Ordinance No. 2266 pursuant to Chapter 165, Laws of 1999, State of Washington, including the authority to acquire, construct, own, finance, and operate a regional center, on August 24, 1999.

The District is governed by a five-member Board of Directors, appointed by the Lynnwood City Council pursuant to Lynnwood Resolution No. 99-08. The District is a component unit of the City of Lynnwood and is included in the consolidated financial statements of the City.

B. **Reporting Entity**
The financial statements and the accompanying notes of the District include all funds for which the Board of Directors has oversight responsibility. There is currently one fund created and operated in support of the interests of the District.

C. **Measurement Focus, Basis of Accounting and Financial Statement Presentation**
For financial reporting purposes, the District is considered a proprietary fund engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability has incurred, regardless of the timing of related cash flows. In this fund, capital asset purchases are capitalized, and long-term liability is recorded. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the district are lease revenue, event revenue, ancillary revenue, and property management revenue. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District uses the Budgeting, Accounting and Reporting System (BARS) – State Auditor.

D. **Fund Accounting**
In order to ensure observance of limitations and restrictions placed on the use of resources, the accounts of the District are maintained in accordance with the principles of fund accounting. The accounts relating to specified activities or objectives have been classified as one fund, a proprietary fund.

E. **Cash and Cash Equivalents**
In the Statement of Net Position, Cash and Equivalents includes cash in the bank, petty cash, security deposits, and short-term investments with maturity dates of three months or less which includes the funds held in the State Treasurer's Investment Pool.

F. Deposits and Investments

The District reports monetary investments at fair value in the Statement of Net Position. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. See Note 3.

G. Capital Assets

See Note 5.

H. Receivables

Taxes receivable consists of Sales tax and Hotel/Motel tax. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services.

I. Inventories

Inventories are defined as assets that may be held for internal consumption or for resale. Inventory items may be recorded as expenditures when purchased. Inventory is stated at the lower of cost or market value, using the first-in, first-out method.

K. Compensated Absences

The District complies with the current City of Lynnwood policies pertaining to accumulated unpaid vacation and sick leave. The District limits the accumulation of unpaid vacation benefits to two years accrual; any excess accrual would require executive approval.

Sick leave payout is limited to the first 720 hours of accrued unused sick leave. Upon termination or retirement of employment, unused sick leave may be converted to pay at the employee's current pay rate on the following basis:

- Termination – Voluntary or discharge
  - Five hours of unused sick leave (up to 720 hours) = 1 hour pay.
- Termination by layoff
  - Three hours of unused sick leave (up to 720 hours) = 1 hour pay.
- Retirement
  - One hour of unused sick leave (up to 192 hours) = 1 hour pay.
  - Three hours of unused sick leave (up to 528 hours) = 1 hour pay.

Sick leave is accrued based on unused sick-leave hours as of December 31, 2019. The liability for accumulated vacation and sick leave at December 31, 2019, is $47,275, and is included in Compensated Absences on the Statement of Net Position.

L. Pensions

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

M. Deferred Outflows/Inflows of Resources

In the Statement of Net Position, Deferred Outflows/Inflows of Resources includes loss/gain on refunding of the District Bonds in 2015 and the District's inflows/outflows related to pensions and OPEB.

NOTE 2 – COMPONENT UNIT INFORMATION

The District is included in the consolidated financial statements of the City of Lynnwood as a discretely presented component unit.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2019 was $972,078. The carrying amount of the district's deposits, including certificates of deposit, was $264,208 and the bank balance was $707,870.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

Investments in Local Government Investment Pool (LGIP)
As of December 31, 2019, the District held the following investments in the LGIP:

Type of Investment	Maturities	District's Own Investments
Local Government Investment Pool	Less than one year	8,147,936
Total Investments at Amortized Cost		**8,147,936**

The district is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Investments Measured at Fair Value
The district measures and reports investments at fair value using the valuation input hierarchy established by general accepted account principles, as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2019, the District had the following investments measured at fair value:

Investment Type	Maturity Date	Total	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Farm Credit Bank	3/12/2020	248,644		248,644	
Federal Home Loan MTG Corp	7/26/2019	249,768		249,768	
Federal Home Loan Bank	10/15/2019	294,748		294,748	
Federal Home Loan Bank	12/13/2019	273,067		273,067	
US Treasury Note	5/1/2020	499,760	499,760		
US Treasury Strip	4/12/2021	266,732	266,732		
US Treasury Notes	1/31/2019	199,305	199,305		
Total Investments Measured at Fair Value		**2,032,023**	**965,797**	**1,066,227**	**-**

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a nationally recognized statistical rating organization. The Washington State Local Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

Custodial credit risk: Custodial credit risk is the risk that, in event of a failure of the counterparty to an investment transaction the district would not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Of the District's total position of $2,032,023 in investments, $0 is exposed to custodial credit risk because the investments are held by the District's brokerage firm, which is also the counterparty in those securities.

The District does not have any contractual provisions for cash deposits and investments.

NOTE 4 – DISCLOSURE OF OPERATING INFORMATION

The District accounts for PFD Operations, Convention Plaza Operations, and Lynnwood Convention Center (LCC) Operations. Financial Highlights are as follows:

	PFD	Convention Plaza	LCC
Operating Revenues	$ 31,543	$ 1,051,421	$ 4,078,820
Operating Expenses	$ (531,578)	$ (339,487)	$ (4,151,804)
Totals	**$ (500,036)**	**$ 711,934**	**$ (72,984)**

NOTE 5 - CAPITAL ASSETS

Capital assets are recorded at cost on the date of acquisition (historical value). The capitalization threshold is $5,000 for personal property, buildings/building improvements, infrastructure, facilities and other improvements, software developed for internal use and land improvements.

The District is required to depreciate capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (see table below).

Asset Class	Useful Life (years)
Lynnwood Convention Center Building	45
Infastructure (Sewer Upgrade)	20
Improvements	2 - 20

A summary of changes in general governmental capital assets is as follows:

Business-Type Activities:	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated:				
Land	6,788,800	-	-	6,788,800
Construction in Progress	710,448	16,897	550,019	177,326
Total Capital Assets, not being depreciated	**7,499,248**	**16,897**	**550,019**	**6,966,126**
Capital assets, being depreciated:				
Lynnwood Convention Center - Building	19,716,285	-	-	19,716,285
Infrastructure	79,375	-	-	79,375
Building Improvements	815,162	-	-	815,162
Capital Improvements-Convention Plaza	200,052	55,759	-	255,811
Other Improvements	62,925	-	-	62,925
Tenant Improvements	420,870	-	-	420,870
Parking Lot Improvements	-	550,019	2,000	548,019
Capital Improvements-LCC	705,960	80,830	-	786,790
RRR-LCC	1,136,870	311,791	-	1,448,661
Total Capital Assets, being depreciated	**23,137,499**	**998,399**	**2,000**	**24,133,898**
Less accumulated depreciation for:				
Lynnwood Convention Center - Building	5,987,908	438,140	-	6,426,048
Infrastructure	56,886	3,969	-	60,855
Building Improvements	27,172	20,379	-	47,551
Capital Improvements - Convention Plaza	79,291	30,220	-	109,511
Other Improvements	26,125	3,146	-	29,271
Tenant Improvements	250,769	9,869	-	260,638
Parking Lot Improvements	-	25,118	-	25,118
Capital Improvements-LCC	434,446	52,348	-	486,794
RRR-LCC	457,827	152,758	-	610,585
Total accumulated depreciation	**7,320,425**	**735,947**	**-**	**8,056,371**
Total Capital Assets, being depreciated, net	**15,817,074**	**262,452**	**2,000**	**16,077,527**
Business-type activities capital assets, net	**23,316,322**	**279,349**	**552,019**	**23,043,652**

NOTE 6 - RESTRICTED ASSETS

A summary of the District's restricted assets are as follows:

Restricted Assets	
Security Deposits	45,457
Convention Plaza Reserve	200,000
Contingency Reserve	1,000,000
RRR	500,000
Total	**1,745,457**

Security Deposits: Restricted by leases between the District and tenants of the Convention Plaza.

Convention Plaza Reserve: Restricted by resolution for use of any major repairs made to the Convention Plaza.

Contingency Reserve: Restricted as required by bond indentures and Contingent Loan Agreement with the City of Lynnwood.

RRR: Restricted by resolution for Repair, Replacement and Rehabilitation of the Convention Center.

NOTE 7 – OPERATING LEASES

The District owns the Convention Plaza Shopping Center and leases the space to various tenants. The following is a summary of the non-cancelable operating lease revenues for Convention Plaza:

Leased Assets	
Year Ending December 31	Convention Plaza Rent Revenue
2020	917,671
2021	747,265
2022	667,973
Total	**2,332,909**

NOTE 8 - LONG TERM DEBT

The District issued general obligation and revenue bonds to finance the purchase of land and the construction of the Lynnwood Convention Center. General obligation bonds have been issued for business type activities and are being repaid (pledged) from applicable resources that include Net Auxiliary Facility Revenues and District Sales Tax. The revenue bonds are being repaid (pledged) by proprietary fund resources that include but are not limited to County PFD Sales Tax, County H/M Taxes, City H/M Taxes, and Convention Center/District Revenues. See debt coverage ratios below for specific amounts.

The original amount of Long-Term Debt includes $1.93 million Series A Sales Tax Bonds (taxable), $10 million Series B (tax-exempt) Sales Tax Bonds and $17.265 million Revenue Bonds (tax-exempt) which replaced all short-term commercial paper. The Series A Sales Tax Bonds were paid off in 2014.

On April 15 and June 15, 2015, the District issued Refunding Bonds in the amount of $15,605,000 and $9,877,100, respectively, in order to refund the Convention Center Revenue Bonds and Series B Sales Tax Bonds that financed the purchase of land and the construction of the Lynnwood Convention Center. At issuance, the Revenue Bonds were sold at a premium of $1,042,345. The premium is being amortized as adjustments to interest expense over the life of the bonds. The blended interest rate is 3.57% for the Revenue Bonds. The Series B Sales Tax Bonds were refunded with a single bond issued by Pinnacle Bank (Private Placement) at a rate of 2.48%.

The City of Lynnwood guarantees the District's Long-Term Debt through a Contingent Loan Agreement for the total amount of the debt that terminates only upon the repayment or defeasance of all the Long-Term Obligations and the repayment of any obligations owed by the District to the City under this agreement. Also included in that agreement is to allow the City to use the Convention Center four times a year.

Restricted assets in proprietary funds contain $1,000,000 in reserves as required by bond indentures. In 2019, the District did not draw on these funds as pursuant to the Contingent Loan Agreement.

The table below summarizes the District's long-term debt to maturity for the year ended December 31, 2019.

Description	**Original Amount Issued**	**Date of Original Issue**	**Date of Final Maturity**	**Interest Rates**	**Amount of Installments**	**Balance 12/31/2019**
Convention Center Sales Tax Refunding Bonds	9,877,100	6/15/2015	12/1/2025	2.48%	$12,047-$1,214,980	6,516,700
Convention Center Revenue Refunding Bonds	15,605,000	4/15/2015	12/1/2034	3%-5%	$19,594-$1,997,597	14,570,000
Total	**25,482,100**					**21,086,700**

Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

Business-Type Activities	**Beginning Balance 1/1/2019**	**Additions**	**Reductions**	**Ending Balance 12/31/2019**	**Due Within One Year**
Bonds payable					
General Obligation Bonds (Private Placement)	7,510,700	-	994,000	6,516,700	1,031,300
Revenue Bonds	15,295,000	-	725,000	14,570,000	800,000
Premium on Revenue Bonds	851,249	-	52,117	799,132	52,117
Total Bonds Payable	**23,656,949**	**-**	**1,771,117**	**21,885,832**	**1,883,417**
Compensated absences	23,214	24,061	-	47,275	39,282
Environmental Remediation	5,581,190	209,909	-	5,791,099	35,400
Net Pension Liability	127,091	-	31,696	95,395	-
OPEB Liabilities	80,286	-	6,874	73,412	-
Business-type Activities Long Term Liabilities	**29,468,730**	**233,970**	**1,809,687**	**27,893,013**	**1,958,099**

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

Business-Type Activities					
Year Ending	**Revenue Bonds**		**GO Bonds (Private Placement)**		
December 31,	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2020	800,000	614,688	1,031,300	161,614	2,607,602
2021	895,000	582,688	1,068,900	136,038	2,682,625
2022	985,000	546,888	1,108,300	109,529	2,749,717
2023	1,095,000	497,638	1,148,500	82,043	2,823,181
2024	1,200,000	457,944	1,188,200	53,561	2,899,704
2025 - 2029	5,000,000	1,494,663	971,500	24,093	7,490,256
2030 - 2034	4,595,000	547,169	-	-	5,142,169
Total	**$ 14,570,000**	**$ 4,741,675**	**$ 6,516,700**	**$ 566,878**	**$ 26,395,254**

In proprietary funds, unamortized debt issue costs for insurance are recorded as deferred inflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Debt Service Coverage Ratios for 2019:

General Obligation Bonds	Net Auxiliary Facility Revenues	District Sales Tax	Balance Available	Principal Paid 2019	Interest Paid 2019	Sales Tax Bonds Debt Service	Debt Service Coverage for Sales Tax Bonds
Convention Center Sales Tax Bonds	711,934	1,011,831	1,723,765	994,000	186,265	1,180,265	1.46

Revenue Bonds	County PFD Sales Tax Revenues	County H/M Taxes	City H/M Taxes	Convention Center/District Revenue (Loss)	Balance Available	Principal Paid 2019	Interest Paid 2019	Revenue Bond Debt Service	Debt Service Coverage for Revenue Bonds
Convention Center Revenue Bonds	812,964	1,012,298	510,730	(573,020)	1,762,972	725,000	636,438	1,361,438	1.29

The Lynnwood Public Facilities District received an underlying rating of AA+ for both the Revenue and Sales Tax Refunding Bonds from Standard and Poor's in March 2015.

State statutes limit the amount of general obligation debt the District can issue to a percentage of the total assessed value of the taxable property within the District. The District is allowed up to 1/2 of one percent of the total assessed value without voter approval. The District has $6,516,700 of general obligation debt which is 1/8 of one percent of the total assessed value.

The District's general obligation debt has a term in the bond documents that if a covenant is breached or a default occurs then the District shall pay to Pinnacle Bank, within 30 days after the bank notifies the District of such determination, the amount which, with respect to interest on the Bond previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal taxes imposed on the interest on the Bond due and through the date of such event) that are imposed on the interest on the Bond as a result of the loss of the exclusion, will restore the bank the same after-tax yield on the Bond (assuming tax at the highest marginal corporate tax rate) that it would have realized had the exclusion not been lost. This could have a financial impact on the District.

Arbitrage: The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investments income received at yields that exceed the issuer's tax-exempt borrowing rates. The District's yields did not exceed its borrowing rate; therefore, federal arbitrage is not applicable.

NOTE 9 – MAJOR AGREEMENTS

A. Facility Management Contract

Effective November 19, 2003 the District entered into a Contract with ASM Global (previously SMG), a facility management company headquartered in Pennsylvania, to manage the Lynnwood Convention Center. The contract encompassed both pre-opening and operating services. The operating term of the agreement extended from the Opening Date (April 30, 2005) through December 31, 2010. Management responsibilities include the operation, maintenance and repair of the facility and the surrounding landscaping. In June of 2010, due to the pending contract management expiration date, the District issued a Request for Proposals for Convention Center Management Services, and in September 2010, ASM Global was awarded the contract through December 31, 2015 with one additional five-year option. In September 2015, the District exercised the option and extended the contract through December 31, 2020.

B. Interlocal Agreements

The District, the City of Lynnwood, Snohomish County and the Snohomish County Public Facilities District have entered into various interlocal agreements since the Lynnwood Public Facilities District was formed in 1999. The "Supplemental Interlocal Agreement Regarding Financing for Multijurisdictional Convention Center Facility By and Between The City of Lynnwood and Lynnwood Public Facilities District," approved in September 2004, contains sections that are designed to ensure the long-term financial health of the District:

Section 4.1. District shall not issue the Long-Term Obligations in a total principle amount greater than a total of $33 million (including completion bonds) without prior written approval of the City.

Section 4.2. District shall establish and maintain a contingency reserve fund (CRF).

- The CRF shall be initially funded in the amount of not less than $700,000, from District revenues other than proceeds of the Long-Term Obligations.
- The amount in the CRF shall be increased by not less than $100,000 per year until the balance in that fund is $1,000,000, from funds available after the District's Operation and Maintenance Expenses and debt service on the Long-Term Obligations.
- CRF shall be held separate and apart from other District funds.
- The CRF may be drawn upon with prior written consent of the City for any draws that would reduce the fund balance to less than $1,000,000, solely for the following purposes:
  - Repair or replacement of District property damaged or destroyed by an event beyond the District's reasonable control;
  - Extraordinary operating costs beyond the District's budget;
  - Necessary repair, replacement and rehabilitation costs that are not fully provided for by amounts set aside under the District's 3R Plan;
  - Debt service on, and retirement and redemption of, the Long-Term Obligations;
  - Such other District purposes as may be approved by the City.
- The District shall notify the City of any draw on the CRF for depositing money into the debt service fund for the Long-Term Obligations.

Section 4.3.

- Each month, the District shall irrevocably deposit into each of its debt service funds for the Long-Term Obligations, an amount equal to approximately 1/12 of the next payment of principal coming due, and approximately 1/6 of the next payment of interest coming due.

- The District shall inform the City immediately if the District fails to make any such deposit in full, and the District shall also inform the City at any time that the District determines that there is a reasonable possibility that the District may not be able to timely and fully provide for a debt service payment on the Long-Term Obligations when due.
- The District shall also transfer a sufficient amount to provide for each debt service payment on the Long-Term Obligations to its fiscal agency, at least five business days prior to the applicable payment date.

Section 4.7. The District shall not: issue any bonds with a parity of lien on the revenues pledged to the Revenue Bonds, without the City's written approval; and incur any general obligations in excess of $500,000 principal amount without the City's written approval.

Section 4.8. The District shall develop and maintain a Repair, Replacement and Rehabilitation Plan (a "3R Plan").

- The 3R Plan shall be funded after applying available revenue to Operation and Maintenance Expenses and to debt service.
- The District shall make periodic deposits in special fund or account dedicated to carrying out the elements of the 3R plan.
- After funding the 3R Plan, funds may be used for:
  - Additional costs of advertising, marketing and business promotion;
  - Additional improvements and upgrades of the Convention Center;
  - Retirement or defeasance of the Long-Term Obligations; and,
  - Other purposes consistent with the Four Party Agreement and state law.

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	(95,395)
Pension assets	-
Deferred outflows of resources	24,807
Deferred inflows of resources	(56,778)
Pension expense/expenditures	6,543

State Sponsored Pension Plans

Substantially all Lynnwood PFD's full-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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January - June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July - December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

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

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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer**	**Employee***
January - June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%
July - December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The District's actual PERS plan contributions were $13,168 to PERS Plan 1 and $20,558 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate
The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)
The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease	Current	1% Increase
PERS 1	90,100	71,947	56,196
PERS 2/3	179,838	23,448	(104,880)

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, 2019, the District reported a total pension liability of $95,395 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 71,947
PERS 2/3	23,448

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.001906%	0.001871%	-0.000035%
PERS 2/3	0.002458%	0.002414%	-0.000044%

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.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense
For the year ended December 31, 2019, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ 1,665
PERS 2/3	4,878
Total	$ 6,543

Deferred Outflows of Resources and Deferred Inflows of Resources
At December 31, 2019, the District 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	-	(4,807)
Changes in assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	6,338	-
Total	6,338	(4,807)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	6,718	(5,041)
earnings on pension plan investments	-	(34,131)
Changes in assumptions	600	(9,838)
contributions and proportionate share of contributions	606	(2,959)
Contributions subsequent to the measurement date	10,545	-
Total	18,470	(51,969)

Total for All Plans	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	6,718	(5,041)
Net difference between projected and actual investment earnings on pension plan investments	-	(38,938)
Changes in assumptions	600	(9,838)
Changes in proportion and differences between contributions and proportionate share of contributions	606	(2,959)
Contributions subsequent to the measurement date	16,883	-
Total	24,808	(56,778)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2020	(1,061)
2021	(2,513)
2022	(897)
2023	(335)
2024	
Thereafter	
Total	**(4,807)**

Year Ended December 31	PERS 2
2020	(10,852)
2021	(18,029)
2022	(8,281)
2023	(4,670)
2024	(2,163)
Thereafter	(50)
Total	**(44,044)**

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYEMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2019:

Aggregate OPEB Amounts	
OPEB liabilities	$ 73,412
OPEB assets	$ -
OPEB expense	$ (6,874)

In addition to pension benefits as described in Note 10, the District, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per Revised Code of Washington (RCW) 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system and the participation of the District in the PEBB provided health insurance plan. The OPEB liability arises from health insurance cost subsidies, both explicit and implicit, provided by the District to qualified retirees.

At December 31, 2019, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	
Inactive employees of beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
Total	**2**

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. During the year ended December 31, 2019 no amounts were paid for OPEB benefits.

Assumptions and Other Inputs
The District uses the alternative measurement method (AMM) in determining its total OPEB liability.
The AAM is accomplished by utilizing the AMM Online Tool provided by the Washington State Office of the State Actuary (OSA). The OSA relied on its OPEB Actuarial Valuation for the State's June 30, 2018 Fiscal Year-End report for the purpose of developing the AMM Online Tool.

The total OPEB liability was determined using the following methodologies: actuarial valuation date was June 30, 2019 and the measurement date was June 30, 2019. The actuarial cost method was Early Age. The amortization method used immediate recognition.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 3.00% and the projected salary change was 3.75% plus service-based salary increases. Health care trend rates assumptions vary slightly by medical plan. The initial rate is approximately 7.00%, reaching an ultimate rate of approximately 5.00% in 2080. The post-retirement participation rate is 65.00% and the percentage with spouse coverage is 45.00%.

In projecting the growth of the explicit subsidy, a statutory cap on the explicit subsidy is assumed to remain constant through 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Washington State Legislature determines the value of the cap and no future increases are guaranteed, however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary 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 members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The discount rate used to measure the total OPEB liability was 3.87 percent at the beginning of the measurement year and 3.50 percent at the end of the measurement year.

Specific assumptions made by the Office of the State Actuary to develop the AMM Online Tool that vary from those described above are: 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan, UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan, the KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value, the KP post-Medicare costs and premiums are equal to KP Medicare. The estimated retirement service for each active cohort is based on the average entry age of 35. Assumption for retirement, disability, termination, and mortality are based on the 2018 PEBB OPEB Actuarial Valuation Report with the assumptions that all employees are retirement eligible at age 55, retirement rate is that for members with < 30 years of service, and 100% retirement rate after the age of 70. Each cohort is assumed to be a 50/50 male/female split and eligible spouses are the same age as the primary member. The age-based cohorts were based on the overall distribution of Washington State employees and retirees that participate in PEBB.

The following presents the total OPEB liability calculated using the current healthcare cost trend rate (HCTR) of 7.0%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (6.0%) or 1.0 percentage point (8.0%) higher than the current rate.

	1% Decrease (6%)	**Current HCTR (7%)**	**1% Increase (8%)**
Total OPEB Liability	$ 59,227	$ 73,412	$ 92,275

The following presents the total OPEB liability calculated using the discount rate (DR) of 3.87%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (2.87%) or 1.0 percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current DR (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 89,286	$ 73,412	$ 61,025

Changes in the Total OPEB liability

For the current reporting period, a schedule of changes in the total OPEB liability should be presented.

	2019
Total OPEB Liability beginning	$ 80,286
Service Cost	$ 4,529
Interest	$ 3,281
Changes in Experience Data and Assumptions	$ (14,596)
Changes in Benefit Terms	$ -
Benefit Payments	$ (88)
Other	$ -
Total OPEB Liability at December 31, 2019	**$ 73,412**

Other than the changes in the population covered by benefit terms shown in the table above, there were no significant changes in benefit terms, assumptions, or other factors that significantly affect measurement of the total OPEB liability since the prior measurement date. There were no significant changes to benefit terms that affected measurement of the total OPEB liability since the prior measurement date. The change in prior year OPEB estimate shown above reflects the change in accounting estimate resulting from additional information about covered population made known in the current year. There were no benefit payments in the measurement period attributable to the purchase of allocated insurance contracts. The OPEB measurement date corresponds with the financial statement reporting date. Accordingly, there are no factors to disclose which may affect the OPEB liability between the two dates. The total OPEB (benefit)/expense recognized for the year ended December 31, 2019 was $(6,874).

NOTE 12 – DEFERRED COMPENSATION PLAN (DCP)

The District offers its employees a deferred compensation plan. This plan is administered by the State of Washington Department of Retirement and consists of employee contributions except where the employee's contract requires a District contribution. Membership in DCP consisted of one (1) Active Plan Member as of December 31, 2019. The total District contributions for 2019 were $10,629 for 1 employee.

Plan assets are not the property of the District and are not subject to the claims of the District's creditors.

NOTE 13 – INSURANCE POOL

Enduris (formerly Washington Governmental Entity Pool)

Lynnwood Public Facilities District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.

- $250,000 self-insured retention on property loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS

A drycleaner operated in the southernmost tenant spaces of the Convention Plaza strip mall between 1967 and 1982. The District acquired the property in 2001. Before closing the purchase of the property, the PFD conducted a limited Phase II environmental review. Two soil samples taken directly south of the former dry cleaner were tested. PCE, a common dry-cleaning chlorinated solvent, was detected in one sample at a concentration (0.046 milligrams per kilogram mg/kg) less than the MTCA Method A cleanup level of 0.05 mg/kg. The PFD entered into negotiations with a potential hotel developer in 2012. When the developer was informed that a dry cleaner operated on the site in the past, the developer terminated the negotiations. The PFD began a further analysis of the extent of the dry-cleaning contamination at that time. The District has determined that future investigation and clean-up costs associated with the former Alderwood Laundry and Dry Cleaner constitutes the District's pollution remediation obligation. In June 2018, GeoEngineers (PFD's Geotech consultants) submitted a Remedial Investigation Report to Ecology.

Remediation activities included in this cost estimate include the following future anticipated activities, per the Guidelines (GASB 49): supplemental site assessment, feasibility study, remediation design, cleanup, operation and maintenance of the remedy, and post remediation monitoring. GeoEngineers made reasonable and supportable assumptions in order to develop this cost estimate; the assumptions are based on their best professional judgment, experience, understanding and interpretation of site conditions, and information provided by the PFD. One of the key assumptions used in the pollution remediation cost estimates is that the existing building will be removed before supplemental site assessment and remediation activities are conducted and the working condition of the site surface during remediation will be either asphalt pavement or concrete slab on grade (e.g. existing building floor). The PFD's Project Management Team has prepared a cost estimate at current value for the removal of the building to be $3,069,992. The remediation cost estimate for current and future years is as follows:

Remediation Cost Estimate Lynnwod PFD							
Stage of Remediation/Year Anticipated to Occur	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 - 2030**	**Total**
Interim Monitoring and Agency Communications	30,000						30,000
Soil and Groundwater Data Gaps Characterization		75,405					75,405
In-Situ Pilot Test, FS, Desing and Permitting		38,610	38,610				77,220
CAP and Waste Clearance			16,632				16,632
Consultant - Remedial Excavation and Backfill			107,642				107,642
Contractor - Remedial Excavation, Haul, Dispose and Backfill			857,758				857,758
AS/SVE Well Install and Startup - Consultant				222,057			222,057
AS/SVE Installation - Vendor Provided, includes WSST@10%				190,080			190,080
AS/SVE O&M				58,212	58,212	116,424	232,848
Groundwater Monitoring						116,008	116,008
Post Treatment Soil and Soil Vapor Compliance Sampling						70,200	70,200
MNA Off Property - Groundwater Monitoring per Event						172,972	172,972
Post Treatment Soil and Soil Vapor Compliance Sampling						27,000	27,000
Regulatory Closure						83,200	83,200
System Decommissioning						27,000	27,000
Subtotal	30,000	114,015	1,020,642	470,349	58,212	612,804	2,306,022
Probability-Weighted Range of Possible Cash Flows							
Cost Estimate with 10% Contingency Assumed 35% Probable	33,000	125,417	1,122,705	517,384	64,033	674,087	2,536,626
Cost Estimate with 20% Contingency Assumed 50% Probable	36,000	136,818	1,224,769	564,419	69,854	735,366	2,767,226
Cost Estimate with 30% Contingency Assumed 15% Probable	39,000	148,220	1,326,834	611,454	75,676	796,646	2,997,830
Cleanup Cost Estimate Probability-Weighted Total (Expected Cash Flow Technique)	35,400	134,538	1,204,357	555,012	68,690	723,110	2,721,107

The District's environmental consultants are currently working with the Department of Ecology to develop a clean-up action plan to remove soil contaminated by releases of dry-cleaning solvents associated with the former dry cleaner that operated in the southern portion of the existing strip mall building.

On or about July 28, 2014, the District filed a complaint in Snohomish County Superior Court, against several private parties alleging claims for cost recovery and declaratory relief under Washington's Model Toxics Control Act, Chapter 70.105D RCW ("MTCA"). In August 2017, the District entered into a Release and Settlement Agreement to resolve this claim at issue in the complaint. As a consequence of the agreement, the District received a settlement check in the amount of $100,000 from Illinois National Insurance Company. This settlement involved a dismissal of all claims pertaining to the former Alderwood Dry Laundry and Dry Cleaner.

NOTE 15 – CHANGES IN ACCOUNTING

The District implemented GASB Statement No. 88: *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* See long-term debt note for disclosures.

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. It also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Convention Center has adopted this ASC with a date of the initial application of January 1, 2019, using the modified retrospective method, applied to those contracts which were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under this ASC, while prior period amounts continue to be reported in accordance with legacy US GAAP. The adoption of this ASC did not result in a change to the accounting for any of the Convention Center's revenue streams. As such, no cumulative effect adjustment was recorded.

NOTE 16 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impacts could occur, though such potential impacts are unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability Plan PERS 1 As of June 30, 2019	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	0.001871%	0.001906%	0.001899%	0.001956%	0.001892%
Employer's proportionate share of the net pension liability	$ 71,947	$ 85,123	$ 90,109	$ 105,046	$ 98,969
Employer's covered employee payroll	262,378	$ 253,271	$ 239,413	$ 234,328	$ 227,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	27.42%	33.61%	37.64%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	45.39%	53.11%

Schedule of Proportionate Share of the Net Pension Liability Plan PERS 2/3 As of June 30, 2019	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	0.002414%	0.002458%	0.002442%	0.00251%	0.002445%
Employer's proportionate share of the net pension liability	$ 23,448	$ 41,968	$ 84,848	$ 126,377	$ 87,361
Employer's covered employee payroll	262,378	$ 253,271	$ 239,413	$ 234,328	$ 227,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8.94%	16.57%	35.44%	53.93%	38.43%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	54.61%	46.89%

Schedule of Employer Contributions Plan PERS 1 As of December 31, 2019	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contributions	13,168	$ 13,070	$ 12,165	$ 11,388	$ 10,173
Contributions in relation to the contractually required contributions	13,168	$ 13,070	$ 12,165	$ 11,388	$ 10,173
Contributions deficiency (excess)	-	$ -	-	-	-
Covered employer payroll	266,294	$ 258,120	$ 248,244	$ 234,328	$ 227,303
Contributions as a percentage of covered employee payroll	4.94%	5.06%	4.90%	4.86%	4.48%

Schedule of Employer Contributions Plan PERS 2/3 As of December 31, 2019	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contributions	20,558	$ 19,359	$ 17,033	$ 14,810	$ 13,003
Contributions in relation to the contractually required contributions	20,558	$ 19,359	$ 17,033	$ 14,810	$ 13,003
Contributions deficiency (excess)	-	$ -	-	-	-
Covered employer payroll	266,294	$ 258,120	$ 248,244	$ 234,328	$ 227,303
Contributions as a percentage of covered employee payroll	7.72%	7.50%	6.86%	6.32%	5.72%

NOTES TO SCHEDULE

Note 1:
These schedules will be built prospectively until they contain ten years of data.

Note 2: Changes of Benefit Terms
There were no changes of benefit terms for the Pension Plans.

Note 3: Changes of Assumptions
There were no changes for the Pension Plans.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liability and Covered Payroll Information is Available for 2019		
		2019
Service Cost	$	4,529
Interest	$	3,281
Changes in Experience Data and Assumptions	$	(14,596)
Changes in Benefit Terms	$	-
Benefit Payments	$	(88)
Other	$	-
Net Change in Total OPEB Liability	$	(6,874)
Total OPEB Liability - Beginning	$	80,286
Total OPEB Liability - Ending	$	73,412
Covered Employee Payroll	$	266,294
Total as a Percentage of Covered Payroll		27.57%

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.

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