



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Marysville

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

Published October 12, 2020

Report No. 1026674





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

October 12, 2020

Mayor and City Council
City of Marysville
Marysville, Washington

Report on Financial Statements

Please find attached our report on the City of Marysville's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Marysville
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Marysville
Marysville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2020.

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, the City implemented Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 20.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Marysville January 1, 2019 through December 31, 2019

Mayor and City Council
City of Marysville
Marysville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of December 31, 2019, and the respective changes in financial position and, where applicable, 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 2 to the financial statements, in 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 20. 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 10 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 26, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

June 26, 2020

FINANCIAL SECTION

City of Marysville **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 Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Fiduciary Net Position – Fiduciary Funds – 2019

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2019

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Fund 101 – Street Fund – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, PSERS 2, LEOFF 1 and LEOFF 2 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2 and LEOFF 2 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marysville presents this discussion and analysis of its financial performance to provide an overview of the City's financial activities for fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the associated notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Marysville exceed its liabilities and deferred inflows at the close of December 31, 2019 by approximately \$ 373.9 million (net position) an increase of \$ 31.5 million or 9.2%. Of this amount, unrestricted net position totals \$ 60.9 million and may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position totals \$ 22.2 million and are subject to external restrictions on how it may be used.
- As of December 31, 2019, the City's governmental activities reported a combined net position of \$ 196.8 million, an increase of \$ 9.2 million from 2018. Approximately 10.4% of this amount (\$ 20.4 million) is available for spending at the City's discretion.
- The City's total long-term outstanding debt decreased by \$ 7.2 million during calendar year 2019. The decrease is the result of the annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction the City of Marysville's basic financial statements. The basic statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred in regards to interfund activity, payable and receivables.

The Statement of Net Position presents financial information on all of the City of Marysville's assets, liabilities and deferred inflows/outflow resources, with the difference reported as net position. Evaluating increases or decreases over time can serve as a useful indicator of whether the financial position of the city is improving or declining.

The Statement of Activities present information on the net cost of each governmental and business-type function during the fiscal year. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of account requiring the revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

In the Statement of Activities, we separate the City activities as follows:

Governmental Activities – most of the City's basic services are reported in this category, including General Government, Municipal Court, Police, Fire, Engineering, Parks/Recreation, Community Development, Street Maintenance, and General Government Debt Service. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally finance these activities.

Business-Type Activities – The City's Waterworks Utility, Solid Waste, and Golf Course Funds are reported in this category. These types of activities are funded by the City charging a fee to customers to cover all or most of the cost of certain services it provides.

Fund Financial Statements

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are custodial funds, and are prepared using the economic resources measurement focus and full accrual. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and the purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements also include “other governmental funds” on the governmental funds, and “other enterprise funds” on the proprietary funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements.

Governmental Funds – Most of the City’s basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides to its citizens. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences between the results shown in the Governmental fund financial statements and those shown in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Proprietary Funds – When the City charges customers for the service it provides, whether to outside City customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds include two components 1) enterprise funds and 2) internal service funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City’s enterprise funds are the same as the business-type activities reported in the governmental-wide statement, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds are used to report activities that provide supplies and services for the City’s other programs and activities – such as fleet maintenance, facility maintenance, and computer maintenance funds. Because these funds largely benefit government rather than business-type functions, they are reported with governmental activities in the government-wide financial statements.

Fiduciary Fund – The City is the trustee, or fiduciary for certain funds held on behalf of various third parties. The City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These type of activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the Schedule of Changes in the city’s Net Pension Liability, the Schedule Employer Contributions, and the funding progress for the Other Post Employments Benefits. Also included as required supplementary information are the Schedules Revenues, Expenditures and Changes in Fund Balances – Budget and Actual the general fund and major special revenue funds.

Combining Statements

The combining statements for other governmental funds, internal service funds and agency-type fiduciary funds are presented immediately following the required supplementary information.

Statistical Section

This section includes unaudited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Following is a condensed version of the government-wide statement of net position for 2019 compared to 2018:

Condensed Statement of Net Position (in thousands)						
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	86,197	97,831	51,396	42,093	137,593	139,923
Capital assets (net of accumulated depreciation)	197,869	184,750	168,292	161,158	366,160	345,909
TOTAL ASSETS	\$ 284,065	\$ 282,581	\$ 219,688	\$ 203,251	\$ 503,754	\$ 485,832
Deferred outflows	2,465	1,825	997	857	3,462	2,682
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 286,530	\$ 284,406	\$ 220,686	\$ 204,108	\$ 507,216	\$ 488,514
Current and other liabilities	4,623	9,104	2,299	3,669	6,921	12,774
Long-term liabilities	80,344	83,622	40,185	44,779	120,529	128,401
TOTAL LIABILITIES	\$ 84,967	\$ 92,726	\$ 42,485	\$ 48,448	\$ 127,451	\$ 141,174
Deferred inflows	4,809	4,120	1,090	903	5,898	5,023
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 89,775	\$ 96,846	\$ 43,574	\$ 49,351	\$ 133,349	\$ 146,197
Net investment in capital assets	159,737	155,817	130,959	119,474	290,695	275,290
Restricted	16,623	6,056	5,619	5,518	22,242	11,575
Unrestricted	20,395	25,687	40,534	29,765	60,929	55,453
TOTAL NET POSITION	\$ 196,755	\$ 187,560	\$ 177,111	\$ 154,757	\$ 373,866	\$ 342,318

Governmental Activities

During the 2019 fiscal year, net position for governmental activities increased \$ 9.2 million or 4.9% from 2018. Key elements of the increase are as follows:

- Current and other assets decreased by \$ 11.6 million. The decrease is the result of the termination of the JOA between the City and Marysville Fire after the formation of the Regional Fire Authority \$9.7 million, and a \$ 3.5 million decrease in cash and investments associated with activity associated with capital projects.
- Capital assets, net of accumulated depreciation increased by \$ 13.1 million dollars. There was an increase of \$ 12.8 million in Construction Work in Progress. The City is currently working on a large street construction project and the construction of a new civic campus.
- Deferred outflows related to pension saw a slight increase.
- Current liabilities decreased by \$ 4.5 million due to the normal fluctuations in accounts payable activity and the changes in court and property tax receivables. As well as a correction to the unearned revenue. In prior years the deferred inflow-special assessment in the governmental statements was carried into the government wide statements as unearned revenue. This has now been corrected and a prior period adjustment has been recorded and disclosed.
- Long-term liabilities decreased \$ 3.3 million a result the annual debt service payments offset in adjustments to the net pension and OPEB liability.
- The \$.7 million increase in deferred inflows is related to pensions.

Business-Type Activities

Business-type activities of the City's utilities and golf course realized a \$ 22.4 million increase in net position. Key elements of the increase are as follows:

- Total assets and deferred outflows increased by \$ 16.6 million. The \$ 9.3 million increase in current and other assets, the result of expenses in the Waterworks Utility fund coming in under budget due to a number of open positions throughout the year and a push out of projects and a \$ 7.1 million increase in capital assets.
- Total liabilities and deferred inflows decreased by \$ 5.8 million due the annual debt service.

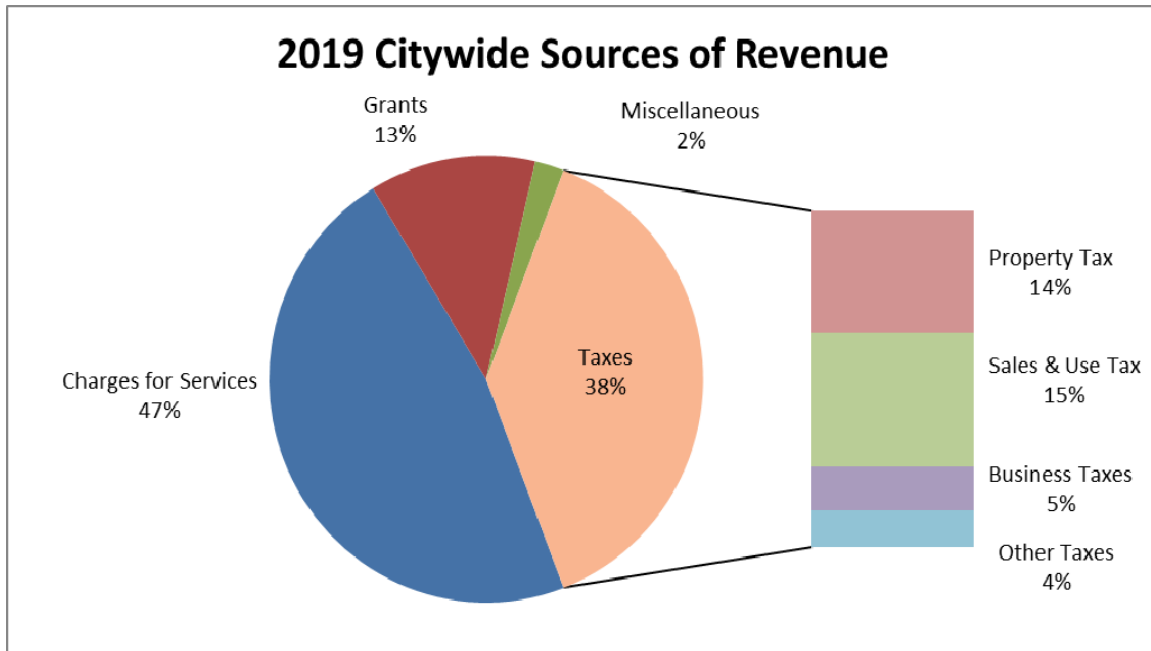
Changes in Net Position

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time. The Statement of Activities provides details on how net position changed from the beginning of the year to the end of the year and whether net position increased or decreased. Therefore the Statement of Activities provides information as to whether the City as a whole is better off financially by yearend as illustrated in the following table.

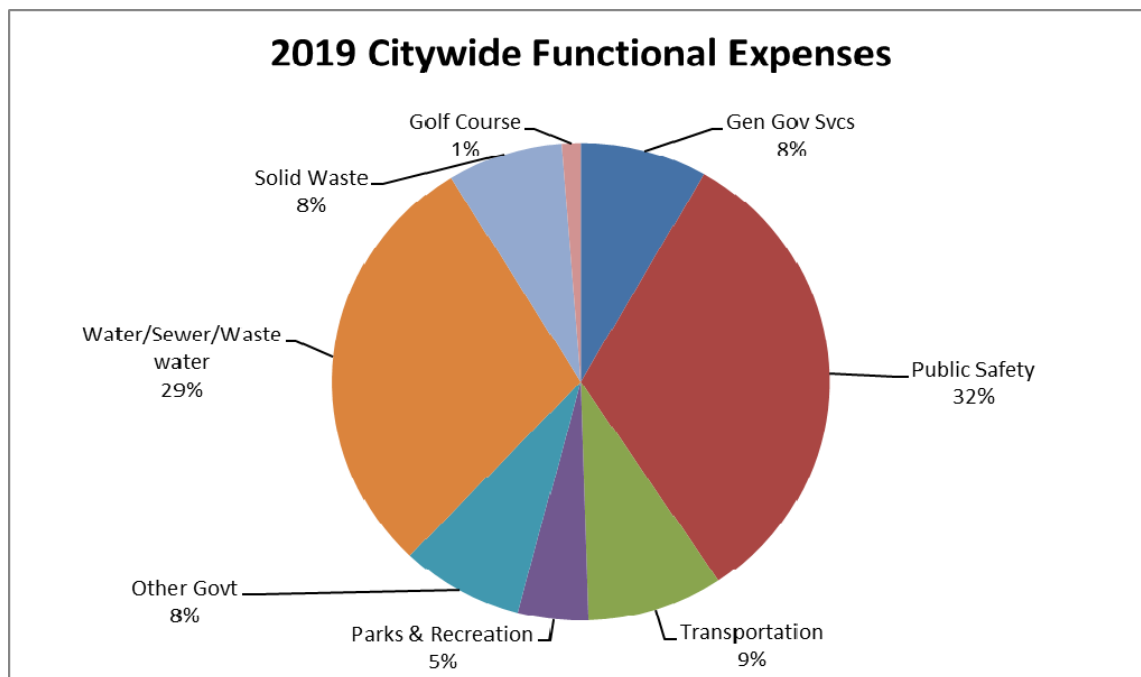
Changes in Net Position
For Year Ended December 31, 2019
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenue:						
Charges for Services	\$ 14,614	\$ 10,899	\$ 47,538	\$ 41,477	\$ 62,152	\$ 52,376
Operating Grants and Contributions	2,798	5,514	-	-	2,797	5,514
Capital Grants and Contributions	1,325	-	12,214	2,959	13,538	2,959
General Revenues:						
Property Taxes	18,309	17,540	-	-	18,309	17,540
Sales Taxes	20,288	16,934	-	-	20,288	16,934
Other Taxes	12,044	11,401	-	-	12,044	11,401
Interest and Investment Earnings	1,940	837	923	527	2,863	1,365
Total Revenue	71,316	63,126	60,675	44,964	131,990	108,088
Program Expenses						
Governmental Activities						
Judicial	1,479	1,373	-	-	1,479	1,373
General Government	6,521	4,310	-	-	6,521	4,310
Public Safety	31,486	29,615	-	-	31,486	29,615
Physical Environment	2,002	1,838	-	-	2,002	1,838
Transportation	8,572	8,693	-	-	8,572	8,693
Economic Environment	2,834	2,299	-	-	2,834	2,299
Health	76	71	-	-	76	71
Culture & Recreation	4,451	4,369	-	-	4,451	4,369
Interest on Long-term Debt	2,810	2,039	-	-	2,810	2,039
Business-Type Activities						
Water/Sewer/Surface Water	-	-	28,380	27,960	28,380	27,960
Garbage & Solid Waste	-	-	7,267	7,201	7,267	7,201
Golf Course	-	-	1,208	1,119	1,208	1,119
Total Expenses	60,232	54,607	36,855	36,281	97,086	90,887
Increase in Net Position Before Transfers	11,084	8,518	23,820	8,683	34,904	17,201
Loss on Disposition of Assets	-	(745)	-	-	-	(745)
Special Items - Termination of Fire JOA	(9,711)	-	-	-	(9,711)	-
Transfers	2,475	1,436	(2,475)	(1,436)	-	-
Increase in Net Position	3,848	9,210	21,345	7,246	25,193	16,456
Net Position - Beginning of Year	187,560	177,797	154,757	147,510	342,317	325,307
Changes in Accounting Principles-GASB 75	-	(2,039)	-	-	-	(2,039)
Prior Period Adjustment	5,347	2,593	1,009	-	6,356	2,593
Net Position - End of Year	\$ 196,755	\$ 187,560	\$ 177,111	\$ 154,757	\$ 373,866	\$ 342,318

As shown in the chart below, charges for services made up 47.1% of the total revenue received by the city as a whole in 2019. Taxes made up 38.4% of the revenue sources. Of the 38.4%, 14.0% is from property taxes, 15.4% from sales taxes, and the remaining from business and excise taxes.



The following chart compares the functional expenses of the City. Public Safety and the Water/Sewer Utility Fund make up two-thirds of the total City expenses.

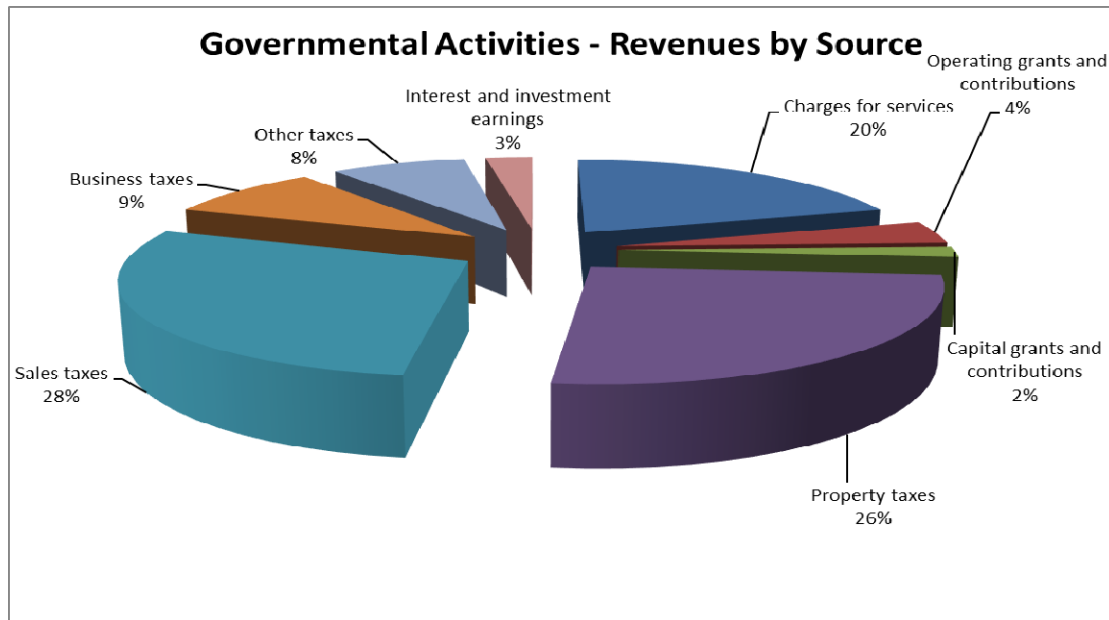


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, the total cost of all governmental activities in 2019 was \$ 60.2 million. Of this amount \$18.7 million was paid either by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) of \$ 41.5 million was the cost of governmental activity services paid primarily by city taxpayers.

Revenues

Total governmental activity revenue (excluding transfers) increased by \$ 8.2 million or 13.0%. The increase is associated with an increase in grants and contributions, taxes and investment interest. As the chart below depicts, the majority of governmental activity revenue, 71.0%, is from taxes. Combined taxes were up \$ 4.8 million, or 10.4% from 2018.



Sales tax increased by \$ 3.4 million or 19.8% from 2018 and continues to run above average. Property taxes increased \$.8 or 4.4% a result of increased assessed values, new construction, and state utilities. Other taxes increased \$.7 million or 5.6% from 2018. This category includes utility taxes assessed on utilities, such as water, sewer, garage, storm water, telephone, electric and natural gas for services sold within the city limits. The increase in utility tax is the result of rate increases imposed by the utility companies.

Expenses

Total governmental activity expenses increased by \$ 5.6 million or 10.3%, compared to 2018. Highlights of the change in governmental activity expenses are:

- Increases of \$ 1.9 million in Public Safety is due \$.8 million increase in EMS and Fire services, \$.2 million in jail costs and the balance of the increase is associated with the termination of the joint operating agreement between the City and Marysville Fire. In previous years, the annual adjustment to the City's equity interest was recorded as a Public Safety Activity. The \$ 1.1 million in Interest on Long-term Debt resulting in new bond issues and interest accruals and the \$.5 million increase in Economic Environment is associated with increased staff costs and Community Development Block Grant payments. \$ 2.2 million of the increase is due to the school mitigation fund now being reported as a special revenue fund.

BUSINESS-TYPE ACTIVITIES ANALYSIS

Total expenses of business-type activities in 2019 were \$ 36.9 million. Program revenue covered \$ 47.5 million, with \$ 2.5 million in transfers resulting in a net gain of \$ 21.3 million.

Revenues

Total revenues (excluding transfers) were up \$ 15.7 million or 34.9% from the prior year. Charges for services increased by \$ 6.1 million from 2018 due to an increase in connection fees.

Capital grants and contributions consist of infrastructure constructed by the developer and then turned over to the City. Business-type capital contributions increased by \$ 9.3 million.

In 2019, interest earnings on investments increased by 75.1%. The increase is due to larger cash balances being held in the funds due to the push out of capital projects.

Expenses

Total business-type saw a slight increase from 2018.

FUND-LEVEL FINANCIAL ANALYSIS

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

Governmental Fund

The focus of the City's governmental funds is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City's financing requirements in the near future. In particular, unassigned fund balance measures the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$ 67.7 million, a decrease of \$ 3.3 million from 2018. This decrease was primarily due construction of the two major construction projects that the City bonded for in 2018.

Revenues for the governmental funds in 2019 were \$ 71.5 million up \$ 8.3 million or 13.2% from 2018 and expenditures were \$ 76.5 million up \$ 10.5 million or 15.9%.

General Fund - The general fund is the main operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless legally required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2019, the fund balance of the General Fund was \$ 20.1 million up \$ 1.7 million from 2018. As a measure of fund's liquidity, the ending fund balance is 43.2% of the fund's 2019 expenditures. As of December 31, 2019, total revenue was \$ 53.1 million, an increase of \$ 4.7 million or 9.7% and total expenditures were \$ 46.5 million. Of the \$ 20.1 million fund balance, the entire amount is unassigned and is available for discretionary spending. Even though the economy is starting to show signs of recovery, and the City is starting to stabilize, the City remains committed to managing costs and balancing current year revenue and expenses to ensure the financial security of the City.

Streets Capital Improvement Fund – The Street Capital Improvement Fund accounts for the construction of transportation within the city, such as roads, streets, park and rides, and bridges. The fund reported a 64.3% decrease in fund balance due to the construction of the 1st Bypass project which the City bonded for in 2018.

General Capital Improvements – This is a new fund that was created in 2018 to track the bond proceeds and expenditures associated with the construction of the new city campus and other general capital facilities.

Local Improvement District 71 Fund (LID71) – The LID 71 Fund accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in September 2014. The fund fluctuates based off the assessments collected and the bonds called during the current year.

Street Maintenance Fund – The Street Maintenance fund accounts for the maintenance of streets, sidewalks and right-of-ways located within the city. The fund reported a slight increase in fund balance due an underrun in expenditures resulting in a slightly larger cash balance than last year.

Other Governmental Funds – The City has ten other special revenue funds, two other debt service funds and one non-major construction fund.

Combined, the Other Governmental Funds reported total assets of \$ 13.5 million with a combined fund balance of \$ 11.7 million. Liabilities and deferred inflows increased slightly due to increase in accounts payable. The cash and investments decreased by \$ 7.4 million. In 2018, the Street Construction fund was included in the Other Governmental Funds, in 2019 the Street Construction fund is being reported as a major fund.

Revenue for the Other Government Funds in 2019 was \$ 11.1 million down \$.7 million from 2018. Due primarily to the Street Construction fund no longer being reported in the Other Governmental Funds, which is being offset by the addition of the school mitigation special revenue fund.

Expenditures for the Other Government Funds in 2019 were \$ 8.5 million, a decrease of \$ 2.7 million. Due primarily to the Street Construction fund no longer being reported in the Other Governmental Funds, but the decrease is being offset by the addition of the school mitigation special revenue fund.

Proprietary Funds

The City's proprietary fund statements are similar regarding the information found in the government-wide financial statements, but more detail is provided due to the assortment of activities. These funds include the Waterworks Utility and Solid Waste as the major funds for the purpose of this report. As a result, all statements related to the enterprise funds are presented at the entity-wide level. The Cedarcrest Golf Course is the only enterprise fund that is not considered a major fund. The City does have Internal Service funds which are reported in the fund statements.

Waterworks Utility Fund – The Waterworks Utility Fund accounts for the operations, maintenance, and construction of activities related to the supplying of water, sewer, and storm drainage/surface water services to the community. The fund reported total assets and deferred outflow of \$ 211.0 million, total liabilities and deferred inflows of \$ 42.5 million, and net position of \$ 168.5 million, an increase of \$ 21.8 million from the prior year. Key elements for the change include:

- The annual 2% rate increase in utilities, increased connection fees and increased capital contributions from developers.
- Reduced expenses a result of open positions and push out of construction projects.

Solid Waste Fund – The Solid Waste Fund accounts for the operations and maintenance of providing solid waste services to citizens within the city limits. The fund reported total assets and deferred outflows of \$ 8.1 million, total liabilities and deferred inflows of \$.5 million and net position of \$ 7.6 million, an increase of \$.8 million or 11.8% from the prior year.

Other Enterprise Funds – The City's other enterprise fund includes only one activity and that is the Cedarcrest Golf Course. The fund reported total assets and deferred outflows of \$ 1.9 million, total liabilities and deferred inflows of \$.5 million, and net position of a \$ 1.3 million, an increase of \$.1 million. The increase is due to the annual debt service payment resulting in a reduction of the outstanding debt.

General Fund Budgetary Highlights

The 2019/2020 biennial budget was adopted in November 2018 by the City Council. The operating and capital budgets retain current service levels of operations, maintaining the City's infrastructure and addresses community priorities.

Appropriation of operating funds are reviewed and amended as needed by the City Council. The 2019/2020 biennial budget was amended twice in 2019. The final General Fund expenditure (not including transfers) budget was \$ 1.7 million higher from the original budget. The amendments were to account for the addition of one custody officer, one training officer and a property purchase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including construction in progress, for its governmental and business-type activities as of December 31, 2019 amounts to \$ 366.2 million (net of accumulated depreciation) an increase of \$ 20.3 million from 2018.

Capital Assets at Year End, Net of Depreciation
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Land	\$ 35,520	\$ 32,020	\$ 10,600	\$ 12,469	\$ 46,121	\$ 44,489
Buildings	8,241	9,071	5,466	5,377	13,707	14,448
Infrastructure	120,974	123,172	-	-	120,974	123,172
Improvements other than buildings	4,276	4,257	145,346	137,018	149,622	141,274
Machinery and Equipment	9,032	9,246	2,144	2,166	11,176	11,413
Construction in Progress	19,824	6,983	4,736	4,128	24,560	11,112
	\$ 197,868	\$ 184,750	\$ 168,292	\$ 161,158	\$ 366,160	\$ 345,908

Key changes to major capital assets during 2019 included the following:

- Annual contribution to the City's water/sewer infrastructure from developers - \$ 12.1 million
- Increase in Construction In Progress associated with the construction of the 1st Street By Pass, and the new civic campus.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$ 91.1 million, a decrease of \$ 4.5 million associated with the annual debt service payments. Of this amount, \$ 61.5 million is general obligation debt, \$ 29.6 million is revenue bonded debt and the City also has \$ 2.9 million is special assessment debt.

Long-Term Debt (in thousands)						
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
General Obligation Debt	\$ 61,100	\$ 62,800	\$ 380	\$ 555	\$ 61,480	\$ 63,355
GO Bond premiums	5,903	6,210	-	-	5,903	6,210
Revenue Bonds	-	-	29,615	32,225	29,615	32,225
Revenue Bonds Issuance Premiums	-	-	2,502	2,780	2,502	2,780
800 Mhz Project	-	84	-	-	-	84
Public Work Trust Fund Loans	-	-	5,215	6,545	5,215	6,545
Special Assessment (w/government commitment)	2,900	3,590	-	-	2,900	3,590
Total Long-Term Debt	\$ 69,903	\$ 72,684	\$ 37,711	\$ 42,105	\$ 107,615	\$ 114,789

On September 19, 2013, Moody's Investor Service assigned a rating of A1 to the City's limited tax general obligation and refunding bonds, 2013.

On July 28, 2016, Moody's Investors Service assigned a rating of Aa3 to the City's limited tax general obligation bonds and Local Improvement District (LID) bonds.

On February 15, 2017, Moody's Investors Service changed the City's limited tax general obligation bond rating from Aa3 to Aa2. Moody's rating for the City of Marysville are now as follow:

Limited Tax GO Bonds	Aa2 (previously Aa3)
Water/Sewer Revenue Bonds	A1 (previously A3)

S&P published an underlying rating of A+ for the 2005 Revenue Bonds at the time of issuance

On March 9, 2018, Moody's Investors Service confirmed the City's Aa2 rating.

On May 22, 2018, Moody's Investment Service assigned a rating of Aa2 to the City's limited tax general obligation bonds.

On September 27, 2018, Moody's Investors Service assigned a rating of Aa2 to the City's limited tax general obligation bonds.

On March 22, 2019, Moody's Investors Service confirmed the City's Aa2 rating.

On November 11, 2019, Moody's Investor Service confirmed the City's Aa2 rating.

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's assessed valuation for 2019 was \$ 7.9 billion and the total amount of additional debt that the city may issue is \$ 537 million. Remaining debt capacity is categorized as follows (in thousands):

Debt Capacity Available	
Item	Capacity
General	\$ 138,259
Open Space/Park Facilities	199,650
Utilities	199,650
Total	<u>\$ 537,560</u>

Additional information on the City's long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Marysville Council voted not to increase the regular property tax levy rate by 1% allowed under initiative 747 in 2020. Assessed values (AV) for 2020 are estimated to increase by 11% from the 2019 assessed values. The levy rate for 2020 is \$ 1.651 per \$1,000 of assessed valuation, a decrease of 27.6% from the prior year of \$ 2.279. The decrease is due to the formation of the Marysville Regional Fire District. Previously, the City collected property taxes which were used to pay for fire service. But with the formation of the Marysville Regional Fire District they are now their own taxing authority so the City will no longer be paying for fire services. The City reduced its levy rate to minimize the tax impact on the citizens while ensuring to retain sufficient capacity to meet the City's needs.

Total General Fund revenues for 2020 are estimated decrease slightly from 2019 before transfers and the total General Fund expenditures are estimated to decrease by \$ 1.7 million from 2019 before transfers. For 2020, the City is moving into uncharted waters with the effects of the COVID 19 pandemic. But due to the City's strong commitment to managing costs the City believes that with the reserves in place and continued commitment to review and manage expenses, the City will be able to weather this storm. The City is continuing to review and prioritize the strategic investments necessary to lay the groundwork for a prosperous future.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Marysville Finance Director, 1049 State Avenue, Marysville, Washington, 98270, (360) 363-8000.

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & cash equivalents	33,499,621	19,450,189	52,949,810
Investments	39,314,682	18,748,883	58,063,565
Receivables (net)	2,492,125	6,456,555	8,948,680
Special Assessment Receivable	3,936,206	-	3,936,206
Internal Balances	(992,361)	992,361	-
Inventories	206,084	129,367	335,451
Restricted Cash & Investments:			
Investment	-	5,619,108	5,619,108
Investment in joint venture	1,832,659	-	1,832,659
Capital Assets			
Land	35,520,997	10,600,463	46,121,460
Depreciable assets (net)	142,523,156	152,955,397	295,478,553
Construction in progress	19,824,442	4,735,915	24,560,357
Net Pension Asset	5,907,205	-	5,907,205
Total Assets	284,064,816	219,688,238	503,753,054
Deferred Outflows of resources			
Debt refunding	163,608	378,130	541,738
Related to pension	2,242,483	619,284	2,861,767
Related to OPEB	58,497	-	58,497
Total Deferred Outflows	2,464,588	997,414	3,462,002
TOTAL ASSETS AND DEFERRED OUTFLOWS	286,529,404	220,685,652	507,215,056
LIABILITIES			
Accounts payable and accrued expenses	4,135,919	2,156,325	6,292,244
Unearned revenue	288,821	-	288,821
Other current liabilities	197,995	142,823	340,818
<i>Non-Current Liabilities (see Note 11)</i>			
Due within one year	2,826,817	4,438,918	7,265,735
Due in more than one year	69,050,087	33,658,750	102,708,837
Net pension liability	4,820,906	2,087,800	6,908,706
OPEB Liability	3,646,105	-	3,646,105
Total Liabilities	84,966,650	42,484,616	127,451,266
Deferred Inflows of resources			
Related to pension	4,808,580	1,089,629	5,898,209
Total Deferred Inflows	4,808,580	1,089,629	5,898,209
TOTAL LIABILITIES AND DEFERRED INFLOWS	89,775,230	43,574,245	133,349,475
NET POSITION			
Net investments in capital assets	159,736,625	130,958,557	290,695,182
Restricted for:			
Net Pension Asset	4,522,411	-	4,522,411
Debt Service	564,537	5,619,108	6,183,645
Law Enforcement	101,039	-	101,039
Tourism	44,758	-	44,758
Technology Infrastructure	528,810	-	528,810
REET	7,949,349	-	7,949,349
Transportation Benefit District	2,703,739	-	2,703,739
Grants	208,487	-	208,487
Unrestricted	20,394,419	40,533,742	60,928,161
TOTAL NET POSITION	196,754,174	177,111,407	373,865,581

The accompanying notes are an integral part of this statement

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Grants & Contributions		Governmental Activities	Business-type Activities	Total
			Operating	Capital			
Governmental Activities:							
Judicial	1,479,415	467,221	95,336	-	(916,858)	-	(916,858)
General Government	6,520,829	2,296,161	42,187	-	(4,182,481)	-	(4,182,481)
Public Safety	31,485,845	667,811	633,625	-	(30,184,409)	-	(30,184,409)
Physical Environment	2,003,083	2,250	-	-	(2,000,833)	-	(2,000,833)
Transportation	8,572,406	4,522,527	1,515,360	819,769	(1,714,750)	-	(1,714,750)
Economic Environment	2,833,517	5,573,351	449,194	-	3,189,028	-	3,189,028
Health	76,467	-	-	-	(76,467)	-	(76,467)
Culture & Recreation	4,451,158	1,084,518	62,058	504,777	(2,799,805)	-	(2,799,805)
Interest on long-term debt	2,809,974	-	-	-	(2,809,974)	-	(2,809,974)
Total Governmental	60,232,694	14,613,839	2,797,760	1,324,546	(41,496,549)	-	(41,496,549)
Business-type Activities:							
Water/Sewer/Surface Water	28,380,188	38,352,476	-	12,213,859	-	22,186,147	22,186,147
Solid Waste	7,267,312	7,860,460	-	-	-	593,148	593,148
Golf Course	1,207,915	1,325,287	-	-	-	117,372	117,372
Total Business-Type	36,855,415	47,538,223	-	12,213,859	-	22,896,667	22,896,667
Total Government	97,088,109	62,152,062	2,797,760	13,538,405	(41,496,549)	22,896,667	(18,599,882)
General Revenues							
			Property Taxes		18,308,527	-	18,308,527
			Sales Taxes		20,287,870	-	20,287,870
			Utility Taxes		6,488,053	-	6,488,053
			Excise Taxes		4,331,714	-	4,331,714
			Other Taxes		1,224,194	-	1,224,194
			Investment Earnings		1,940,159	923,239	2,863,398
Special Item (Note 19)					(9,711,276)	-	(9,711,276)
Transfers					2,474,559	(2,474,559)	-
Total General Revenues & Transfers					45,343,800	(1,551,320)	43,792,480
Change in Net Position					3,847,251	21,345,347	25,192,598
Net Position - Beginning					187,559,888	154,756,833	342,316,721
Prior Period Adjustment (Note 18)					5,347,035	1,009,227	6,356,262
Net Position - Ending					196,754,174	177,111,407	373,865,581

The accompanying notes are an integral part of this statement

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	GENERAL FUND	STREETS CAPITAL IMPROVEMENTS	GENERAL CAPITAL IMPROVEMENTS	LOCAL IMPROVEMENT DISTRICT 71	STREET MAINTENANCE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
CURRENT ASSETS							
Cash & cash equivalents	\$ 12,203,053	\$ 1,293,819	10,883,635	\$ 114,147	\$ 616,338	\$ 7,465,484	\$ 32,576,476
Investments	8,874,507	3,864,930	19,968,344	96,255	157,575	5,851,978	38,813,589
Receivables (net)	1,899,529	194,447	-	170,435	29,889	170,903	2,465,203
Special Assessment Receivable	-	-	-	3,936,206	-	-	3,936,206
TOTAL ASSETS	\$ 22,977,089	\$ 5,353,196	\$ 30,851,979	\$ 4,317,043	\$ 803,802	\$ 13,488,365	\$ 77,791,474
LIABILITIES AND FUND BALANCES							
Accounts payable and accrued expense	\$ 1,957,053	\$ 583,621	\$ 84,177	\$ -	\$ 446,403	\$ 425,703	\$ 3,496,957
Due to other funds	-	-	-	-	-	1,360,641	1,360,641
Unearned revenue	118,386	-	-	170,435	-	-	288,821
Deposits payable	52,036	-	-	-	145,959	-	197,995
Total Liabilities	\$ 2,127,475	\$ 583,621	\$ 84,177	\$ 170,435	\$ 592,362	\$ 1,786,344	\$ 5,344,414
DEFERRED INFLOW							
Property Taxes	\$ 312,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,992
Special Assessments	-	-	-	3,936,206	-	-	3,936,206
Court Receivables	466,502	-	-	-	-	-	466,502
Total Deferred Inflow	\$ 779,494	\$ -	\$ -	\$ 3,936,206	\$ -	\$ -	\$ 4,715,700
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 2,906,969	\$ 583,621	\$ 84,177	\$ 4,106,641	\$ 592,362	\$ 1,786,344	\$ 10,060,114
FUND BALANCE							
<i>Restricted For:</i>							
Law Enforcement	-	-	-	-	-	101,039	101,039
Tourism	-	-	-	-	-	44,758	44,758
Technology Infrastructure	-	-	-	-	-	528,810	528,810
REET	-	-	-	-	-	7,949,349	7,949,349
Transportation Benefit District	-	-	-	-	-	2,703,739	2,703,739
Debt Service	-	-	-	210,402	-	636,614	847,016
Civic Campus Construction	-	-	29,770,015	-	-	-	29,770,015
Street Construction	-	1,837,679	-	-	-	-	1,837,679
Grants	-	194,447	-	-	-	14,040	208,487
<i>Committed to:</i>							
Law Enforcement	-	-	-	-	-	6,923	6,923
Community Center	-	-	-	-	-	4,848	4,848
<i>Assigned to:</i>							
Civic Campus Construction	-	-	997,787	-	-	-	997,787
Street Construction & Maintenance	-	2,737,449	-	-	211,440	-	2,948,889
Debt Service	-	-	-	-	-	89,004	89,004
<i>Unassigned</i>	20,070,120	-	-	-	-	(377,103)	19,693,017
TOTAL FUND BALANCES	20,070,120	4,769,575	30,767,802	210,402	211,440	11,702,021	67,731,360
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 22,977,089	\$ 5,353,196	\$ 30,851,979	\$ 4,317,043	\$ 803,802	\$ 13,488,365	\$ 77,791,474

The accompanying notes are an integral part of this statement

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total governmental fund balance		\$ 67,731,360
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		189,070,557
These assets consist of:		
Land	\$ 35,520,997	
Depreciable Assets (including Infrastructure)	171,179,034	
Construction in Progress	19,824,442	
Less: Accumulated Depreciation	(37,453,917)	
The investment in joint ventures is not reported at the fund financial reporting level but is reported on the statement of net position.	SnoCo911	1,832,659
Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds		9,843,411
Net Pension Asset	5,907,205	
Special Assessments	3,936,206	
Deferred Inflow - Court Receivables		466,502
Deferred Inflow - Prior Years Property Taxes		312,992
Deferred Outflow - Related to Pension		2,127,607
Deferred Outflow - Related to OPEB		58,497
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(80,400,992)
Compensated Absences	(1,856,881)	
General Obligation/Special Assessment Bonds	(69,903,272)	
Net OPEB Liability	(3,646,105)	
Net Pension Liability	(4,712,255)	
Accrued Interest Payable	(282,479)	
Deferred Outflow- Related to Refunding		163,608
Deferred Inflow - Related to Pension		(4,574,717)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position.		10,122,690
Internal service funds-total fund position	\$ 9,754,411	
Add back: amount allocated to internal balances - business-type activities	368,279	
Net position of governmental activities		<u>\$ 196,754,174</u>
The accompanying notes are an integral part of this statement		

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	GENERAL FUND	STREETS CAPITAL IMPROVEMENTS	GENERAL CAPITAL IMPROVEMENTS	LOCAL IMPROVEMENT DISTRICT 71	STREET MAINTENANCE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Taxes	\$ 42,360,622	\$ -	\$ -	\$ -	\$ -	\$ 7,028,707	\$ 49,389,329
Licenses & Permits	3,023,182	-	-	-	81,500	-	3,104,682
Intergovernmental	1,811,000	819,769	-	-	1,515,360	909,988	5,056,117
Charges for Services	4,464,112	3,036,335	-	-	57,991	2,837,221	10,395,659
Fines & Forfeitures	601,566	-	-	-	-	37,819	639,385
Investment Earnings	550,061	275,792	864,145	8,248	753	219,672	1,918,671
Rents & Leases	237,734	-	-	-	-	29,094	266,828
Special Assessments	-	-	-	608,373	-	-	608,373
Miscellaneous Revenues	86,632	5,000	-	-	78,009	1,122	170,763
Total Revenues	53,134,909	4,136,896	864,145	616,621	1,733,613	11,063,623	71,549,807
EXPENDITURES							
Current:							
Judicial	1,481,906	-	-	-	-	-	1,481,906
General Government	4,115,847	-	-	-	-	2,248,728	6,364,575
Public Safety	31,428,569	-	-	-	-	4,335	31,432,904
Physical Environment	2,033,124	-	-	-	-	-	2,033,124
Transportation	-	308,340	-	-	6,173,506	94	6,481,940
Health & Human Services	76,467	-	-	-	-	-	76,467
Economic Environment	2,811,190	-	-	-	-	310,844	3,122,034
Culture & Recreation	3,113,548	-	-	-	-	1,152,529	4,266,077
Capital Outlay							
General Government	1,392,446	-	2,877,343	-	-	-	4,269,789
Public safety	-	-	-	-	-	16,375	16,375
Transportation	-	11,317,594	-	-	12,123	-	11,329,717
Culture & Recreation	53,416	-	-	-	-	-	53,416
Debt Service							
Principal	-	-	-	690,000	-	1,783,525	2,473,525
Interest & fiscal charges	-	-	-	148,225	-	2,983,280	3,131,505
Other	-	-	-	6,808	-	-	6,808
Total Expenditures	46,506,513	11,625,934	2,877,343	845,033	6,185,629	8,499,710	76,540,162
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	6,628,396	(7,489,038)	(2,013,198)	(228,412)	(4,452,016)	2,563,913	(4,990,355)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,030,893	371,332	-	-	4,806,099	5,268,663	11,476,987
Transfers out	(5,920,389)	(1,470,094)	-	-	(307,806)	(2,044,331)	(9,742,620)
Total other financing sources (uses)	(4,889,496)	(1,098,762)	-	-	4,498,293	3,224,332	1,734,367
Net change in fund balances	1,738,900	(8,587,800)	(2,013,198)	(228,412)	46,277	5,788,245	(3,255,988)
Fund balances--beginning	18,331,220	13,357,375	32,781,000	438,814	165,163	5,913,776	70,987,348
FUND BALANCES - ENDING	\$ 20,070,120	\$ 4,769,575	\$ 30,767,802	\$ 210,402	\$ 211,440	\$ 11,702,021	\$ 67,731,360

The accompanying notes are an integral part of this statement

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net changes in fund balances for governmental funds \$ (3,255,988)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period. 13,177,228

This is comprised of:

Capital Outlays	\$	15,669,297
Depreciation		(2,492,069)

Governmental funds do not report the change in the investment in the joint venture the change is reported on the statement of activity (9,644,416)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

This is comprised of:

Court Receivables		(192,633)
Special Funding - LEOFF 2		290,383

Deferred Outflows - Prior Years Property Taxes		26,835
Deferred Outflows - Prior Years Court Receivables		(379,218)

Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

This is comprised of:

GO debt retired		2,473,525
Deferred Outflow On Refunding		(20,452)
Unamortized premium		306,971

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

This is comprised of:

Accrued Interest Payable		41,820
Accrued Compensated Absences		(304,516)
OPEB Expense		(177,160)
Net Pension Expense - GASB 68 Adjustments		1,254,676

Internal service funds are used by management to charge the cost of equipment, maintenance of the facilities and computer costs to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities

This is comprised of:

Interest revenue allocated from internal service funds to governmental activities	\$	21,488	250,196
Net expense allocated from internal service funds to governmental activities		(511,483)	
Transfer Out		740,191	

Change in net position of governmental activities	\$	3,847,251
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The accompanying notes are an integral part of this statement

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL ENTERPRISE FUNDS	
ASSETS					
CURRENT ASSETS:					
Cash & cash equivalents	\$ 16,415,079	\$ 2,970,676	\$ 64,434	\$ 19,450,189	\$ 923,145
Investments	16,451,926	2,296,957	-	18,748,883	501,093
Receivables (net)	5,000,502	1,456,053	-	6,456,555	26,922
Due from other funds	-	1,360,641	-	1,360,641	-
Inventories	73,525	-	55,842	129,367	206,084
Total Current Assets	37,941,032	8,084,327	120,276	46,145,635	1,657,244
NONCURRENT ASSETS					
Investments	5,619,108	-	-	5,619,108	-
Capital Assets					
Land	9,782,452	-	818,011	10,600,463	-
Depreciable assets (net)	152,029,908	-	925,489	152,955,397	8,798,039
Construction in progress	4,735,915	-	-	4,735,915	-
Total Noncurrent Assets	172,167,383	-	1,743,500	173,910,883	8,798,039
Total Assets	210,108,415	8,084,327	1,863,776	220,056,518	10,455,283
Deferred outflow of resources:					
Debt refunding	378,130	-	-	378,130	-
Related to pension	546,520	72,764	-	619,284	114,876
Total Deferred Outflows	924,650	72,764	-	997,414	114,876
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 211,033,065	\$ 8,157,091	\$ 1,863,776	\$ 221,053,932	\$ 10,570,159
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued exp.	\$ 1,537,956	\$ 246,792	\$ 72,286	\$ 1,857,034	\$ 356,483
Accrued interest payable	289,316	-	9,975	299,291	-
Compensated absences	170,484	22,677	-	193,161	58,376
Bonds, notes, loans payable	4,060,757	-	185,000	4,245,757	-
Deposits payable	13,025	-	3,500	16,525	-
Other current liabilities	52,249	-	74,049	126,298	-
Total Current Liabilities	6,123,787	269,469	344,810	6,738,066	414,859
NONCURRENT LIABILITIES:					
Bonds, notes, loans payable (net)	33,270,591	-	195,000	33,465,591	-
Net Pension Liability	2,018,018	69,782	-	2,087,800	108,651
Compensated absences	170,483	22,676	-	193,159	58,375
Total Noncurrent Liabilities	35,459,092	92,458	195,000	35,746,550	167,026
Total Liabilities	41,582,879	361,927	539,810	42,484,616	581,885
Deferred Inflows of resources					
Related to pension	940,265	149,364	-	1,089,629	233,863
Total Deferred Inflows	940,265	149,364	-	1,089,629	233,863
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 42,523,144	\$ 511,291	\$ 539,810	\$ 43,574,245	\$ 815,748
NET POSITION					
Net investment in capital assets	129,595,057	-	1,363,500	130,958,557	8,798,039
Restricted for debt service	5,619,108	-	-	5,619,108	-
Unrestricted	33,295,756	7,645,800	(39,534)	40,902,022	956,372
TOTAL NET POSITION	\$ 168,509,921	\$ 7,645,800	\$ 1,323,966	\$ 177,479,687	\$ 9,754,411

The net effect of activities allocated from internal service funds is presented as an internal balance on the statement of net position

(368,279)

Net position of business-type activities

\$ 177,111,408

The accompanying notes are an integral part of this statement

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
Charges for Services:					
Water/Sewer/Surface Water	\$ 28,176,106	\$ -	\$ -	\$ 28,176,106	\$ -
Golf	-	-	1,281,482	1,281,482	-
Garbage & Solid Waste	-	7,799,839	-	7,799,839	-
Other Services	-	-	-	-	4,559,580
Total Operating Revenues	28,176,106	7,799,839	1,281,482	37,257,427	4,559,580
OPERATING EXPENSES:					
Maintenance & operations	15,798,357	5,860,836	1,132,376	22,791,569	4,313,907
Taxes	3,045,927	1,338,889	5,978	4,390,794	-
Depreciation	6,974,548	-	35,427	7,009,975	1,103,533
Total Operating Expenses	25,818,832	7,199,725	1,173,781	34,192,338	5,417,440
Operating income (loss)	2,357,274	600,114	107,701	3,065,089	(857,860)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	820,256	100,468	2,515	923,239	21,488
Miscellaneous nonoperating revenue	10,176,370	60,621	43,805	10,280,796	-
Interest expense	(1,007,940)	-	(24,844)	(1,032,784)	-
Gain (loss) on disposition of assets	-	-	-	-	33,442
Loss on the impairment of assets	(507,216)	-	-	(507,216)	-
Miscellaneous nonoperating expenses	(810,144)	-	-	(810,144)	-
Total Non-Operating Revenues (Expenses)	8,671,326	161,089	21,476	8,853,891	54,930
Income (Loss) Before Capital Contributions & Transfers	11,028,600	761,203	129,177	11,918,980	(802,930)
Capital contributions	12,213,859	-	-	12,213,859	-
Transfers in	-	-	12,653	12,653	740,191
Transfers (out)	(2,487,213)	-	-	(2,487,213)	-
	9,726,646	-	12,653	9,739,299	740,191
CHANGE IN NET POSITION	20,755,246	761,203	141,830	21,658,279	(62,739)
NET POSITION-BEGINNING	146,745,447	6,884,597	1,182,136	154,812,180	9,817,150
Prior Period Adjustment	1,009,228	-	-	1,009,228	-
NET POSITION-ENDING	\$ 168,509,921	\$ 7,645,800	\$ 1,323,966	\$ 177,479,687	\$ 9,754,411

Adjustment to reflect the consolidation of internal service fund activities related to enterprise fur (312,932)

Change in net position of business-type activities \$ 21,345,347

The accompanying notes are an integral part of this statement

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 27,854,947	\$ 7,771,212	\$ 1,284,528	\$ 36,910,687	\$ -
Cash received from interfund charges	-	-	-	-	4,559,580
Cash received from other sources	-	-	43,805	43,805	-
Cash paid to suppliers for goods and services	(9,212,010)	(4,576,320)	(1,094,824)	(14,883,154)	(2,431,861)
Cash paid to employees for services	(6,739,728)	(1,314,074)	-	(8,053,802)	(1,818,809)
Cash paid for taxes	(3,045,927)	(1,338,889)	(5,978)	(4,390,794)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,857,282	\$ 541,929	\$ 227,531	\$ 9,626,742	\$ 308,910
Cash Flows From Non-Capital Financing Activities:					
Other Receipts	269,357	-	-	269,357	-
Other Payments	(2,165,034)	-	-	(2,165,034)	-
Proceeds from federal, state and local grants	280,668	60,621	-	341,289	-
Interfund loan payments	-	42,369	-	42,369	-
Transfer in from other funds	-	-	12,653	12,653	740,191
Transfer (out) to other funds	(2,487,213)	-	-	(2,487,213)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ (4,102,222)	\$ 102,990	\$ 12,653	\$ (3,986,579)	\$ 740,191
Cash Flows From Capital and Related Financing Activities:					
Acquisition/construction-capital	(2,789,468)	-	-	(2,789,468)	(897,752)
Proceeds from sale of assets and insurance recoveries	1,361,735	-	-	1,361,735	33,442
Capital contribution	9,263,682	-	-	9,263,682	-
Payments on debt principal	(3,940,757)	-	(175,000)	(4,115,757)	-
Payment on debt interest	(1,276,222)	-	(29,438)	(1,305,660)	-
Grant Proceeds	362,663	-	-	362,663	-
Cash paid to suppliers	(34,793)	-	-	(34,793)	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	\$ 2,946,840	\$ -	\$ (204,438)	\$ 2,742,402	\$ (864,310)
Cash Flows From Investing Activities:					
Purchase of investments	(1,355,608)	-	-	(1,355,608)	(90,792)
Proceeds from sale of investments	-	691,420	-	691,420	296,444
Interest on investments	820,256	100,468	2,515	923,239	21,488
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ (535,352)	\$ 791,888	\$ 2,515	\$ 259,051	\$ 227,140
Net Increase (Decrease) in Cash & Equivalents	7,166,548	1,436,807	38,261	8,641,616	411,931
Cash and Equivalents January 1, 2019	9,248,531	1,533,869	26,173	10,808,573	511,214
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 16,415,079	\$ 2,970,676	\$ 64,434	\$ 19,450,189	\$ 923,145
Unrestricted cash and cash equivalents	16,415,079	2,970,676	64,434	19,450,189	923,145
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 16,415,079	\$ 2,970,676	\$ 64,434	\$ 19,450,189	\$ 923,145

The accompanying notes are an integral part of this statement

Page 1 of 2

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATERWORKS	SOLID	NONMAJOR		ACTIVITIES-
	UTILITY	WASTE	ENTERPRISE	TOTAL	INTERNAL
			GOLF		SERVICE
					FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 2,357,274	\$ 600,114	\$ 107,701	\$ 3,065,089	\$ (857,860)
Adjustments to Reconcile Operating Income to Net					
Cash Provided by (Used in) Operating Activities					
Depreciation and Amortization	6,974,548	-	35,427	7,009,975	1,103,533
Other Non-Operating Receipts	-	-	43,805	43,805	-
Changes in Assets and Liabilities:					
(Increase)/Decrease in Inventories	(1,146)	-	(2,376)	(3,522)	(12,641)
(Increase)/Decrease in Receivables	(321,159)	(28,627)	-	(349,786)	(10,344)
Increase (Decrease) in Net Pension - Contra	(235,018)	(34,765)	-	(269,783)	(76,544)
Increase (Decrease) in Accounts Payable	82,783	5,207	39,303	127,293	162,766
Increase (Decrease) in Other Current Liabilities	-	-	3,671	3,671	-
TOTAL ADJUSTMENTS	6,500,008	(58,185)	119,830	6,561,653	1,166,770
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,857,282	\$ 541,929	\$ 227,531	\$ 9,626,742	\$ 308,910
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital assets contributed by private developers	12,213,859	-	-	12,213,859	-
Gain (losses) on sale of capital asset (NBV)	-	-	-	-	-
Increase (decrease) in fair value of investments	199,127	-	-	199,127	-
TOTAL NON-CASH ACTIVITIES	\$ 12,412,986	\$ -	\$ -	\$ 12,412,986	\$ -

The accompanying notes are an integral part of this statement

Page 2 of 2

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	CUSTODIAL FUNDS
ASSETS	
Cash & cash equivalents	\$ 6,893
Total Assets	6,893
LIABILITIES	
Accounts payable and accrued expenses	\$ -
Other liabilities	6,893
Total Liabilities	6,893
NET POSITION	
Total Net Position	-

The accompanying notes are an integral part of this statement

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	CUSTODIAL FUNDS
ADDITIONS	
Miscellaneous	90,015
Total Additions	90,015
DEDUCTIONS	
Warrant Services	13,000
Drug Seizures	53,495
Weapon Permitting	11,951
Building Advisory	8,089
Fingerprinting fees collect for other agencies	3,480
Total Deductions	90,015
Net Increase (decrease) in fiduciary net position	-
Net Position Beginning	-
Net Position Ending	-

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Marysville was incorporated on March 20, 1891 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The accounting and reporting policies of the city conform to generally accepted accounting principles (GAAP) of local governments.

The city is a general-purpose government and provides public safety, road improvement, parks and recreation, judicial administration and general governmental services. In addition, the city owns and operates a water/sewer/surface water utility, a golf course and provides garbage collection and recycling services. The accompanying statements include all funds, agencies and boards controlled by or dependent on the city. The financial statements include as well the assets and liabilities of all funds for which the city has a custodial or trust responsibility. The financial statements do not include the financial position or results of operations of the Marysville School District, which is a separate municipal corporation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. The fiduciary funds presented are custodial funds. These funds use the accrual basis of accounting; however, because they only report assets and liabilities they do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For

this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under modified accrual basis of accounting, property taxes, sales taxes, utility taxes and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the city.

The city reports the following major government funds:

- The General Fund is the city's operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. The general fund includes police, parks, culture and recreation, parks maintenance, community development, courts, executive, finance, human resources, and legal.
- The Street Capital Improvement fund accounts for the design and construction of the city's infrastructure.
- The General Capital Improvement fund accounts for the construction of the new city campus.
- The Street Maintenance fund accounts for the operation and maintenance of the city streets, right-of-ways, and sidewalks. Revenues come from state shared fuel taxes, permitting fees, and a portion of the sales tax revenue that is receipted into the General Fund and is then transferred to the Street Maintenance fund.
- The Local Improvement District (LID) #71 accounts for assessments related to the LID and provides payment to the fiscal agent for principal and interest on bonds issued in September 2014.

The city reports the following major proprietary funds:

- The Waterworks Utility operating fund accounts for the distribution and filtration of water, the collection and treatment of wastewater, as well as the collection and treatment of sewage, and the design and construction of all water/sewer/surface water capital projects. Also included in the waterworks utility fund are all debt service payments.
- The Solid Waste fund accounts for the collection of commercial and residential solid waste as well as curb side recycling program.

Additionally, the government reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulations.
- Debt service funds account for the accumulation of resources and the payment of general long-term debt principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.
- Capital project funds account for the design and construction of city infrastructure and city parks and recreational facilities and other governmental facilities.
- Internal service funds account for the city's fleet management, facility services, information services, unemployment insurance and liability insurance provided to other departments on a cost reimbursement basis.
- Custodial funds account for the funds received for drug seizure, weapon permits and other county mitigation fees.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The city has allocated certain indirect costs that are included in the program expense reported for individual functions and activities.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The proprietary statements are reported using the economic resources measurement focus and full-accrual basis of account. Revenues are recorded when liability is incurred regardless of the timing of cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks Utility Fund, Solid Waste Fund, Golf Fund, and the internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds 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 nonoperating revenues and expenses. When both restricted and unrestricted resources are available to use, it is the City of Marysville's policy to use restricted resources first, and then unrestricted resources as needed.

D. Budgetary Information

Scope of Budget

In accordance with the Revised Code of Washington (RCW) 35A.34, the City budgets for all operating funds. These budgets are prepared in accordance with generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for budgeted governmental funds only.

The budget, as adopted, constitutes the legal authority for expenditures. Appropriations are authorized for two years, but must be reviewed by the City Council at the midpoint of the biennial period. The appropriated budgets are adopted at the fund level where expenditures may not exceed appropriations. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

Amending the Budget

The City Administrative Officer is authorized to transfer appropriations between programs within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. When City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

As of December 31, 2019, the following funds reported deficits in fund balance or net position:

Fund 310 – Parks Construction has a deficit net position of \$ 363,063 resulting from the purchase of the Opera House. The fund did not have sufficient cash to pay for the building, so a \$1,445,000 interfund loan was established to provide the funding for the purchase.

E. Assets, Liabilities, Fund Balances and Net Position

Cash and Cash Equivalents

The City of Marysville invests all short-term cash surpluses. Monies from all City funds are internally pooled for investment purposes. The interest earned from the pooled investments is prorated to individual funds at the end of each month based on the cash balance in each fund at the end of the month. The City considers all highly-liquid assets, including investment in the Washington State's Local Government Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Investments (see note 3 – Deposits and Investments)

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables (see note 12 – Receivables)

The City of Marysville recognizes receivables in its various funds based on the account basis required for that fund. These receivables include the following:

1. Property Taxes (see note 4 – Property Taxes) - Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the county is required by state statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded.
2. Sales Tax - There is a running two-month lag in remittance of sales tax to the city. Sales taxes collected in November and December are not remitted by the state to the city until January and February of the following year and are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.
3. Other Taxes - Electric, telephone, natural gas taxes remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.
4. Interest Receivable - Interest receivable consists of amounts earned, but not received, on investments.
5. Accounts Receivable - Customer accounts receivable consist of amounts owed by private individuals or organization for good and services provided. Unbilled services provided to utility customers are estimated at year-end and included in accounts receivable.

Amounts Due to and from Other Funds: Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Separate schedules of interfund loans, amounts due to and from other funds and advances are furnished in Note 14 – Interfund Transactions and Balances.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Special Assessments

Special assessments are amounts levied against benefited properties to recover costs associated with the construction of local improvement district (LID) projects. A lien is recorded against benefited properties until the assessment has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, unpaid delinquent assessments, and special assessment amounts due in future years, which are recorded in a deferred inflow of resources account. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made. Total assessment principal billed in 2019 was \$ 186,582, total principal collected was \$ 395,295. As of December 31, 2019, \$ 766 of special assessments receivable were delinquent.

Inventories

Inventories in proprietary funds use a perpetual inventory method in which an expense is recorded when related items are consumed. Physical inventories are taken at year-end and the value of items remaining in inventory is calculated for financial reporting purposes. Inventories in proprietary funds are valued by the FIFO method, which approximates the market value. Inventories associated with Golf Course are held for resale. All other inventories are held for internal use only.

Restricted Assets and Liabilities

Constraints imposed by debt covenants and laws and regulations of other governments require that the City maintain cash accounts, investments and receivables for certain purposes. These accounts contain resources to ensure compliance with the revenue debt bond covenants. Specific debt service reserve requirements are described in note 9 – Long-Term Debt. The restricted assets of the enterprise funds is composed of \$ 5,619,108 investments for debt service.

Capital Assets (see note 5 – Capital Assets and Depreciation)

The City began prospective reporting of general infrastructure assets in January 1, 2005 and incorporated the retrospective values in 2007.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Infrastructure assets are capitalized when cost equals or exceeds \$300,000. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets purchased, constructed, or leased by a governmental fund type are recorded as expenditures in that fund at the time the related expenditures are incurred. The associated capital assets are capitalized in the Governmental Activities column on the Government Wide Statement of Net Position. Capital assets of internal service funds are reported with governmental assets.

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

All project costs are included in construction in progress in the government-wide statement of net position. At completion, capital costs are reclassified to the appropriate capital asset account. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

ESTIMATED SERVICE LIFE

Buildings & Structures	25-50 Years
Infrastructure	13-100 Years
Improvement Other Than Buildings	5-50 Years
Machinery & Equipment	2-20 Years

Pensions (see note 6 – Pension Plans)

For purpose 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.

Other Post-Employment Benefits (OPEB) Plans (see note 7– Defined Benefit Other Post-Employment Benefits (OPEB) Plans)

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contributions is reported in the Statement of Net Position. Actual medical costs are reported as expenditures in the general fund in the year they are incurred.

Compensated Absences

Employees may accumulate up to 180 days of sick leave. However, since the city does not have a policy to pay any amounts when employees separate from service with the government, there is no liability recorded for unpaid accumulated sick leave. Sick leave pay is recorded as an expense/expenditure upon usage. Eligible employees accumulate 10 to 25 days of vacation annually depending upon the employee's length of service, but may not accumulate more than two full years of earned accrual.

At the time of retirement or separation from the City, employees will be compensated for any unpaid accumulated vacation leave up to 240 hours.

Unearned Revenues

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

Deferred Outflow/Inflows of Resources

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's controls. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to outstanding debt, pension, OPEB, property taxes and court receivables.

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a new decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflow of resources presented in this manner on the accompanying financial statements are related to outstanding debt, OPEB and pension.

Long-term Debt (see note 9-Long-Term Debt)

Liabilities for long-term debt are recorded in the government-wide statement of net position and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

For governmental funds financial statements, bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as a debt service expenditure. The nature of debt in the governmental activity is specific to a program and, therefore; debt service costs are not an allocated expenditure.

Net Position and Fund Balance

Net Position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the City is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital.

Fund balances, with the implementation of GASB 54, presented in the governmental fund financial statements represent the difference between assets and liabilities reported within the government fund. Fund balance is classified into the following categories:

Non-spendable – items that cannot be spent due to form; inventories, prepaid amounts, long-term loan receivables, or amounts that must be maintained intact legally.

Spendable - amounts are further segregated into categories based on the degree to which the uses of resources are constrained. When an expenditure is incurred for which restricted and unrestricted amounts are available, the City considers restricted amounts to be used first, followed by committed, then assigned, and lastly, unassigned amounts.

Restricted – amounts constrained for specific purposes imposed by external parties, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

Committed – fund balance constrained by ordinance or resolution is adopted by City council and requires the same action to remove the constraint. In Washington State, ordinances and resolutions carry the same force of law.

Assigned – constraints that are neither restricted or committed, are considered assigned. Assignments are adopted by City Council through the budget ordinance. Special revenue funds typically report the majority of assigned fund balance and are created through ordinance by City Council. Fund balance in special revenue funds that are intended to be used for specific purposes, but are neither restricted or committed, include transfers from other funds, investment interest not constrained by contract or covenant, fees for services and rents.

Unassigned – any remaining fund balance in the general fund not classified as non-spendable, restricted, committed or assigned is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. Also, the City's financial policies require a minimum of 10% of General Funds budgeted revenues (less beginning fund balance) be held in reserve. The reserves can be used for anything that council feels is necessary and therefore is reported as unassigned. Any and all expenditures from the reserve require a super majority vote by the entire City Council.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES**New Accounting Standards**

GASB 83 – This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB 84 – This statement establishes standards of accounting and financial reporting for fiduciary activities.

NOTE 3 - DEPOSITS AND INVESTMENTS**Deposits**

The City's deposits and certificates of deposit are entirely 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).

Cash and Deposits	Total
Cash on Hand	\$ 4,000
FDIC Insured Bank Deposits	8,440,971
Total Cash and Deposits	\$ 8,444,971

Investments

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, the State of Washington Local Government Investment Pool, or certificates of deposit with Washington State Banks.

The City is a participant in the Local Government Investment Pool (LGIP) which 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 prepared 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>.

Credit Risk - Safety of principal is the foremost objective of the City's investment program. City investments are undertaken in a conservative manner that seeks to ensure the preservation of the portfolio's capital. The City holds investments in government agencies all of which hold AAA ratings from Standard & Poor's and Aaa from Moody's Investor Services. The City does not have a specific credit risk policy.

Custodial Credit Risk is the risk that in the event of a bank failure, the City's investments may not be recovered. All City securities are held for safekeeping by US Bank. The City does not have a specific custodial credit risk policy.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Safety of the principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City does not have a specific concentration of risk policy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The City's investment policy limits the effective duration of the portfolio to a maximum of five with a weighted average maturity of two years.

Investments that are not measured at fair value

As of December 31, 2019, the City had the following investments at amortized cost reported as cash equivalents:

Investment Type	Maturities	Total
CD – Bank of America	6/30/2020	\$ 11,667
Deposit Account – Opus Bank	-	2,787,003
State Pool Bond #1	-	1,169,522
State Pool Bond #2	-	6,561,793
State Pool	-	33,981,747
Total Deposits		\$ 44,511,732

Investments measured at fair value

Investments and maturities

Investment Type	Fair Value	Less Than 1 Year	1 to 4 Years
Federal Farm Credit Bank	\$ 4,571,904	\$ 2,040,380	\$ 2,531,524
Federal Home Loan Bank	10,165,913	501,063	9,664,850
Federal National Mortgage Association	5,276,421	3,749,275	1,527,146
Federal Home Loan Mortgage Association	8,282,933	6,759,811	1,523,122
US Treasury Notes	35,385,502	30,838,627	4,546,875
Total Investments	\$ 63,682,673	\$ 43,889,156	\$ 19,793,517

The City measures and reports investments at fair value using the valuation input hierarchy established by generally 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

Investment Type	Fair Value	Quotes Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Federal Agency Securities	\$ 28,297,171	\$ -	\$ 28,297,171
US Treasury Securities	35,385,502	35,385,502	-
Total Investments	\$ 63,682,673	\$ 35,385,502	\$ 28,297,171

Reconciliation of cash deposits and investments are detailed in the following table:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Total
Federal Farm Credit Bank	\$ 4,571,904	\$ -	\$ 4,571,904
Federal Home Loan Bank	10,165,913	-	10,165,913
Federal National Mortgage Association	5,276,421	-	5,276,421
Federal Home Loan Mortgage Association	8,282,933	-	8,282,933
US Treasury Notes	35,385,502	-	35,385,502
Cash on Hand	-	4,000	4,000
FDIC Insured Deposits (KeyBank)	-	8,440,971	8,440,971
State Pool Bond #1	-	1,169,522	1,169,522
State Pool Bond #2	-	6,561,793	6,561,793
State Pool	-	33,981,747	33,981,747
CD – Bank of America	-	11,667	11,667
Deposit Account – Opus Bank	-	2,787,003	2,787,003
Total Cash Deposits & Investments	\$ 63,682,673	\$ 52,956,703	\$ 116,639,376

NOTE 4 - PROPERTY TAXES:

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy January 1. New construction through August 31 is included in the annual tax levy the following January 1.

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

Property tax revenues are recognized in the year levied. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer within sixty days and an adjustment to taxes receivable and deferred revenue is made to account for delinquent taxes. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction.
- b. The Washington State Constitution limits the total regular property taxes to 1 percent of all assessed valuation of \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City's regular levy for 2019 was \$2.2799 per \$1,000 on an assessed valuation of \$7,986,000,980.

Purpose of Levy	Levy Rate Per \$1,000	Total Levy Amount
General Government	1.7827	\$ 14,235,521
Emergency Medical Service (EMS)	.4972	3,971,114
Total City Levy	\$ 2.2799	\$ 18,207,635

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in governmental capital assets follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/2019	PRIOR PERIOD ADJUSTMENT	ADDITIONS	DELETIONS	ENDING BALANCE 12/31/2019
Capital assets, not being depreciated:					
Land	32,020,510	754,059	2,746,428	-	35,520,997
Construction in progress	6,983,485	-	12,855,122	(14,165)	19,824,442
Total capital assets not being depreciated	39,003,995	754,059	15,601,550	(14,165)	55,345,439
Capital assets, being depreciated:					
Buildings and structures	12,956,254	(627,542)	22,932	-	12,351,644
Improvements other than buildings	7,854,999	-	324,840	-	8,179,839
Infrastructure	150,174,122	-	-	(294,356)	149,879,766
Machinery and equipment	17,761,333	-	930,077	(280,947)	18,410,463
	188,746,708	(627,542)	1,277,849	(575,303)	188,821,712
Less accumulated depreciation for:					
Buildings	(3,884,888)	20,164	(245,971)	-	(4,110,695)
Improvements other than buildings	(3,598,223)	-	(305,129)	-	(3,903,352)
Infrastructure	(27,002,290)	-	(1,903,700)	-	(28,905,990)
Machinery and equipment	(8,514,834)	-	(1,140,803)	277,118	(9,378,519)
Total accumulated depreciation	(43,000,235)	20,164	(3,595,603)	277,118	(46,298,556)
Total assets being depreciated, net	145,746,473	(607,378)	(2,317,754)	(298,185)	142,523,156
Governmental activities capital assets, net	184,750,468	146,681	13,283,796	(312,350)	197,868,595

Net Investment in capital assets:**Governmental Activities**

Net Capital Assets	197,868,595
Less Noncurrent Debt	(62,160,000)
Less Current Debt Principal	(1,840,000)
Exclude Unspent Proceeds of Capital Debt	31,607,694
Less Debt Premium	(5,903,272)
Plus Deferred Outflow Related to Debt	163,608
Net investments in capital assets	159,736,625

A summary of changes in business-type capital asset follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE 01/01/19	PRIOR PERIOD ADJUSTMENT	ADDITIONS	DELETIONS	ENDING BALANCE 12/31/19
Capital assets, not being depreciated:					
Land	12,469,416	-	-	(1,868,952)	10,600,464
Construction in progress	4,128,290	-	2,750,521	(2,142,896)	4,735,915
Total capital assets not being depreciated	16,597,706	-	2,750,521	(4,011,848)	15,336,379
Capital assets, being depreciated:					
Buildings and structures	9,565,038	-	284,833	-	9,849,871
Improvements other than buildings	242,999,768	1,776,590	13,495,461	-	258,271,819
Machinery and equipment	5,442,811	(767,363)	615,409	(6,218)	5,284,639
	258,007,617	1,009,227	14,395,703	(6,218)	273,406,329
Less accumulated depreciation for:					
Buildings	(4,188,374)	-	(195,743)	-	(4,384,117)
Improvements other than buildings	(105,982,227)	(247,391)	(6,696,293)	-	(112,925,911)
Machinery and equipment	(3,276,575)	247,391	(117,940)	6,218	(3,140,906)
Total accumulated depreciation	(113,447,176)	-	(7,009,976)	6,218	(120,450,934)
Total assets being depreciated, net	144,560,441	1,009,227	7,385,727	-	152,955,395
Business-type activities capital assets, net	\$ 161,158,147	\$ 1,009,227	\$ 10,136,248	\$ (4,011,848)	\$ 168,291,774

Net Investment in capital assets

Business Activities

Net Capital Assets	168,291,775
Less Noncurrent Debt	(30,963,912)
Less Current Debt Principal	(4,245,757)
Less Debt Premium	(2,501,678)
Plus Deferred Outflow Related to Debt	378,130
Net investments in capital assets	130,958,558

Depreciation

Depreciation expense was charged to the following functions/programs of the primary government as follows:

Governmental Activities

General Government Services	\$ 192,483
Protection of Persons & Property	68,762
Physical Environment	6,581
Transportation	2,024,801
Culture & Recreation	199,443
Internal Service	1,103,533
Total Depreciation-Governmental Activities	\$ 3,595,603

Business-type Activities

Waterworks Utility	\$ 6,974,548
Golf	35,427
Total Depreciation-Business-Type Activities	\$ 7,009,975

Construction Commitments

As of December 31, 2019, the City had other outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The City's outstanding contract obligations are summarized below:

Project	Expended To Date	Remaining Commitment
Parks Construction	\$ 767,538	\$ 478,094
Street Construction	13,654,529	8,085,264
Utility Construction	3,629,082	4,312,692
Total	\$ 18,051,149	\$ 12,876,050

NOTE 6 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	(6,908,706)
Pension assets	5,907,205
Deferred outflows of resources	2,861,767
Deferred inflows of resources	(5,898,209)
Pension expense/expenditures	1,214,204

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380.

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 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%
June – 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 2/3	Employee 2*
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fees	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 City's actual PERS plan contributions were \$ 876,087 to PERS Plan 1 and \$ 1,370,023 to PERS Plan 2/3 for the year ended December 31, 2019.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 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. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
TOTAL	12.38%	7.07%
September – December 2019		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
TOTAL	12.14%	7.20%

The City's actual contributions to the plan were \$ 65,578 to PSERS Plan 2 and \$ 45,395 to PERS Plan 1 for the year ended December 31, 2019.

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

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

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

- 20+ years of service 2.0% of FAS
- 10-19 years of service 1.5% of FAS
- 5-9 years of service 1.0% of FAS

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
TOTAL	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
TOTAL	8.93%	8.75%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
TOTAL	5.33%	8.59%
Ports and Universities	8.59%	
Administrative Fee	0.18%	
TOTAL	8.77%	8.59%

The City's actual contributions to the plan were \$ 432,288 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$ 5,571,762.

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; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% 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) the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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 Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 6,653,968	\$ 5,313,319	\$ 4,150,130
PERS 2/3	12,235,985	1,595,387	(7,135,927)
PSERS 2	265,615	(25,728)	(254,603)
LEOFF 1	(253,363)	(309,715)	(358,369)
LEOFF 2	(1,036,026)	(5,571,762)	(9,273,962)

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 City reported a total pension liability of \$ 6,908,706 and a total pension asset of (\$ 5,907,205) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 5,313,319
PERS 2/3	1,595,387
PSERS 2	(25,728)
LEOFF 1	(309,715)
LEOFF 2	(5,571,762)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(309,715)	(5,571,762)
State's proportionate share of the net pension liability/(asset) associated with the employer	(2,094,906)	(3,648,758)
TOTAL	(2,404,621)	(9,220,520)

At June 30, the City'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	.126504%	.138175%	.0116771%
PERS 2/3	.147999%	.164246%	.016247%
PSERS 2	.215048%	.197848%	(.017200%)
LEOFF 1	.016013%	.015669%	(.000344%)
LEOFF 2	.244296%	.240505%	(.003791%)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

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 City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 763,535
PERS 2/3	364,737
PSERS 2	37,126
LEOFF 1	(10,493)
LEOFF 2	59,298
TOTAL	1,214,204

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(354,974)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	461,109	-
TOTAL	461,109	(354,974)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	457,081	(342,999)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,322,234)
Changes of assumptions	40,853	(669,371)
Changes in proportion and differences between contributions and proportionate share of contributions	462,138	(88,613)
Contributions subsequent to the measurement date	705,361	-
TOTAL	1,665,433	(3,423,217)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	21,727	(2,276)
Net difference between projected and actual investment earnings on pension plan investments	-	(44,678)
Changes of assumptions	207	(13,827)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(10,839)
Contributions subsequent to the measurement date	33,943	-
TOTAL	55,877	(71,620)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(32,108)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(32,108)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	400,938	(100,195)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,142,385)
Changes of assumptions	9,179	(627,002)
Changes in proportion and differences between contributions and proportionate share of contributions	49,557	(146,708)
Contributions subsequent to the measurement date	219,674	-
TOTAL	679,348	(2,016,290)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	PERS 2/3	PSERS 2	LEOFF1	LEOFF 2
2020	(78,363)	(657,441)	(9,217)	(7,458)	(324,597)
2021	(185,618)	(1,132,618)	(16,243)	(16,438)	(593,171)
2022	(66,239)	(469,338)	(10,473)	(5,965)	(270,652)
2023	(24,754)	(223,654)	(5,570)	(2,248)	(149,501)
2024	-	(71,159)	(1,441)	-	(57,966)
Thereafter	-	91,065	(6,742)	-	(160,729)
Total	(354,974)	(2,463,145)	(49,686)	(32,109)	(1,556,616)

NOTE 7 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2019.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	(3,646,105)
Deferred outflows of resources	58,497
OPEB expense/expenditures	177,160

OPEB Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for 7 LEOFF 1 retirees. The City provides medical insurance and reimbursements for all necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source. Medical insurance for the retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions.

The City provides health coverage for LEOFF 1 retirees through a medical plan purchased through the Association of Washington Cities (AWC) Employees Benefit Trust which is a multiple employer plan. In addition, the City pays or reimburses eligible retired LEOFF 1 police officers the necessary usual and customary medical expenses in excess of those covered by the applicable insurance plan. The City also purchases a long-term care insurance plan for eligible LEOFF 1 members. Dental costs and dependents are not covered.

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

Covered Employees	
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	7

Funding for LEOFF 1 retiree healthcare costs is provided by the City as required by RCW. These medical benefits are funded on a pay-as-you-go basis through the General Fund and paid out of the Police Department budget. Health insurance premiums are paid

monthly and long-term care insurance is paid annually. Other medical services are paid as billings are presented for reimbursement. The City reimbursed 100 percent of the amount of validated claims for medical costs incurred by these individuals.

Assumptions and Other Inputs

The City's Net OPEB Liability (OPEB) was calculated using the alternative measurement method in accordance with the parameters of GASB Statement 75 for employers in plans with fewer than one hundred total plan members utilizing the interactive tool developed by the Office of the State Actuary OSA for use by local government. The following assumptions were used to measure the total Net OPEB Liability:

Discount Rate

Beginning of Measurement Year	3.87%
End of Measurement Year	3.50%

Healthcare Trend Rates

Medical Costs	Initial rate is about 6%, trends down to about 5% in the 2020's The City assumed no excise tax.
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year

Mortality Rates (assume 100% male population)

Base Mortality Table	RP-2000 Mortality Table +1 year Healthy/-2 years Disabled
Age Setback	Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational

Medicare Participation Rate

100%

The following presents the total OPEB liability for the City of Marysville calculated using the current healthcare cost trend rate of 6.8 percent. As well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$ 3,227,220	\$ 3,646,105	\$ 4,138,323

The following presents the total OPEB liability of the City of Marysville calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) that the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$ 4,167,893	\$ 3,646,105	\$ 3,212,601

Changes in the Total OPEB Liability

For 2019, a schedule of changes in the total OPEB liability is reported below.

LEOFF 1	
Total OPEB Liability at 1/1/2019	3,466,170
Interest	132,016
Changes of experience data & assumption	158,802
Benefit payment	(110,883)
Total OPEB Liability as 12/31/2019	(3,646,105)

The measurement date of 6/30/2019 was used in the calculation. The city uses the alternative measurement method in accordance with GASB 75. A \$177,160 OPEB expenses was recognized in 2019.

At December 31, 2019 the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Payments subsequent to the measurement date	58,497	-
TOTAL	58,497	-

NOTE 8 – RISK MANAGEMENT

The City is exposed to financial loss resulting from city-caused damage to property or persons, bodily injuries, natural disasters, and unemployment compensation benefits paid to former employees. Individual internal service funds are used to account for and finance self-insurance activities. These include unemployment compensation and general liability. The city purchases commercial insurance for claims in excess of anticipated self-insured losses. Premiums paid to these funds by other governmental funds are used to pay for administrative costs, claims, and risk transfer/insurance.

Unemployment Compensation Insurance

In October 2018, the City Council signed resolution 2453 changing the payment method for the City's Unemployment Insurance. In January, 2019, the City started collecting premiums from other governmental funds and making payments to reimburse the State of Washington Employment Security Department on a quarterly basis for unemployment compensation claims paid to former employees.

Liability Insurance

The City of Marysville purchases a variety of insurance coverages to protect itself from unexpected financial loss. Liability coverage is in force with limits up to \$25,000,000, subject to a self-insured retention of \$100,000, which applies on a per occurrence basis. Coverage includes automobile liability, general liability, law enforcement liability, and public officials liability, employment practices liability, employee benefit liability, and Washington Stop Gap coverage. Claims are administered by the City with the assistance from Defense Counsel depending on the need, and subject to involvement from our excess insurers should a loss exceed our self-insured retention. Insurance for property, equipment breakdown, automobile physical damage, cyber, and pollution related exposures is also in place. A brief summary of insurance in force is as follows:

Policy Type	Limits of insurance	Carrier	Deductible
Commercial Property, Equipment Breakdown, Automobile Physical Damage, and Boiler & Machinery Insurance	\$200,000,000 All Risk \$100,000,000 Boiler & Machinery \$25,000,000 Flood \$5,000,000 Flood Zones A&V \$100,000 Unscheduled Business Interruption \$50,000,000 Extra Expense	Various Carriers	\$10,000
Earthquake	\$5,000,000	Everest Indemnity Insurance Company	\$250,000
Commercial Cyber Liability Insurance	\$2,000,000 Aggregate \$500,000 Privacy Notification/Monitoring Costs	Lloyd's of London - Beazley Syndicate	\$75,000
Pollution	\$2,000,000 Aggregate	Interstate Fire and Casualty Company	\$100,000
Crime	\$2,500,000	National Union Fire Insurance Company of Pittsburgh, PA	\$10,000
General Liability	\$2,000,000 Each Occurrence	Safety National Casualty Corp	\$100,000 Self-Insured Retention
Auto Liability	\$2,000,000 Combined Single Limit Bodily Injury & Property Damage	Safety National Casualty Corp	\$100,000 Self-Insured Retention
Public Officials Liability	\$2,000,000 Each Wrongful Act	Safety Specialty Insurance Co.	\$100,000 Self-Insured Retention

Policy Type	Limits of insurance	Carrier	Deductible
Law Enforcement Liability	\$200,000,000 Each Occurrence Limit	Safety Specialty Insurance Co.	\$100,000 Self-Insured Retention
Excess Liability	\$3,000,000 Each Occurrence Limit xs \$2,000,000	Safety National Casualty Corp.	N/A
Excess Liability	\$15,000,000 xs \$5,000,000	Allied World Assurance Co. & Evanston Insurance Company	N/A
Excess Liability	\$5,000,000 xs \$20,000,000	Hallmark Specialty Insurance Co.	N/A

Prior to January 1, 2019, Marysville was a member of the Washington Cities Insurance Authority (WCIA). Under the WCIA program, the City had a \$0 deductible. In 2018, the City undertook a process of analyzing available insurance alternatives. Among other considerations, including claims administration and proposed coverage, it weighed the estimate cost of assuming a \$100,000 (per occurrence) self-insured retention. Effective January 1, 2019, the City Council chose to transition its insurance program to a more cost effective structure, as described in the schedule above.

There were no claims in 2019 which exceeded the city's self-insurance limit.

At December 31, 2019, the city had available cash and investments in the self-insurance funds of \$ 203,232. The claims liability reported in the self-insurance funds is based on the requirements of GASB Statement 10. Prior to the issuance of the financial statements, GASB Statement 10 requires that a liability for claim be reported if it is probable that a liability has been incurred at the date of the financial statements and can be reasonably estimated. This estimated liability is not discounted to present value.

Changes in the self-insurance funds' claims liabilities in 2019.

	Insurance Fund	Unemployment Compensation Fund
December 31, 2019		
Beginning Liability	-	-
Claims Incurred	20,651	632
Claims Paid	5,651	-
Ending Liability	15,000	632

NOTE 9 – LONG-TERM DEBT

The city issues general obligation bonds to finance the purchase, acquisition, and construction of significant capital assets. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. Federal obligation bonds are direct obligations and pledge the full faith and credit of the government.

General government obligation bonds outstanding at December 31, 2019 are as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Governmental Activities						
LTGO Refunding Bonds 2013	10/16/13	12/01/23	3.00-5.00	6,315,000	2,850,000	3,465,000
LTGO Bonds Series 2016 Refunding	09/01/14	12/01/27	2.00	4,990,000	905,000	4,085,000
LTGO Bonds 2010	10/01/10	12/01/34	2.00-5.00	4,990,000	610,000	4,380,000
LTGO Bonds 2013	10/16/13	12/01/30	3.00-5.00	9,005,000	2,490,000	6,515,000
LTGO Bonds 2018	06/28/18	12/01/38	3.00-5.00	11,375,000	-	11,375,000
LTGO Bonds 2018B	10/09/18	12/01/48	5.00	31,280,000	-	31,280,000
Total Governmental Activities				\$ 67,955,000	\$ 6,855,000	\$ 61,100,000
Business Activities						
Golf Course	05/17/07	12/01/21	3.90-5.30	2,120,000	1,740,000	380,000
Total Business Activities				3,860,982	3,480,982	380,000
Special Assessments (w/government commitment)						
LID 71 - 156th Street Overpass	09/23/14	06/01/36	2.05-4.15	6,022,846	3,122,846	2,900,000
Total Special Assessments				6,022,846	3,122,846	2,900,000
TOTAL GENERAL OBLIGATION BONDS				\$ 77,838,828	\$ 13,458,828	\$ 64,380,000

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

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES			BUSINESS -TYPE ACTIVITIES			SPECIAL ASSESSMENT		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	1,840,000	2,667,644	4,507,644	185,000	19,949	204,949	-	120,350	120,350
2021	2,435,000	2,604,144	5,039,144	195,000	10,238	205,238	-	120,350	120,350
2022	3,200,000	2,510,818	5,710,818	-	-	-	-	120,350	120,350
2023	3,325,000	2,381,143	5,706,143	-	-	-	-	120,350	120,350
2024	2,425,000	2,246,094	4,671,094	-	-	-	-	120,350	120,350
2025-2029	12,735,000	9,711,107	22,446,107	-	-	-	-	601,750	601,750
2030-2034	11,020,000	7,084,744	18,104,744	-	-	-	-	601,750	601,750
2035-2039	9,200,000	4,910,731	14,110,731	-	-	-	2,900,000	240,700	3,140,700
2040-2044	7,475,000	3,018,750	10,493,750	-	-	-	-	-	-
2045-2048	7,445,000	953,500	8,398,500	-	-	-	-	-	-
TOTAL	\$ 61,100,000	\$ 38,088,675	\$ 99,188,675	\$ 380,000	\$ 30,187	\$ 410,187	\$ 2,900,000	\$ 2,045,950	\$ 4,945,950

Business-type Long-Term Debt

The City issues revenue bonds to finance construction projects for the City's utilities. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Waterworks Utility fund. Revenue debt outstanding as of December 31, 2019 is as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Water Revenue Bonds	05/29/14	04/01/28	2.00-5.00	39,945,000	10,330,000	29,615,000
TOTAL REVENUE BONDS				\$ 39,945,000	\$ 10,330,000	\$ 29,615,000

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

YEAR ENDING 12/31	BUSINESS-TYPE ACTIVITY		
	PRINCIPAL	INTEREST	TOTAL
2020	2,730,000	1,122,300	3,852,300
2021	2,865,000	982,425	3,847,425
2022	3,010,000	835,550	3,845,550
2023	3,170,000	681,050	3,851,050
2024	3,330,000	518,550	3,848,550
2025-2028	14,510,000	886,800	15,396,800
TOTAL	\$ 29,615,000	\$ 5,026,675	\$ 34,641,675

The City's governmental activities includes the Snohomish County LTGO bonds for the City of Marysville's portion of the 800 MHz project. This represents the City's liability to Snohomish County.

The City's business type activities consist of multiple Public Works Trust Funds Loans and a Drinking Water Revolving Fund Loan used to update the Wastewater Treatment Plant and to construct a new filtration plant.

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (%)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Governmental Activities						
800 MHz (Refunded)	08/27/15	12/01/19	5.00	\$ 381,842	\$ 381,842	\$ -
Total Governmental Activities				381,842	381,842	-
PWTFL-WWTP	10/22/01	07/01/21	0.50	1,000,000	894,737	105,263
PWTFL-WWTP	02/04/02	07/01/22	0.50	10,000,000	8,411,765	1,588,235
PWTFL-WWTP Phase II	05/13/04	07/01/24	0.50	10,000,000	7,368,421	2,631,579
DWRFL-Stilly Well	12/12/03	10/01/23	1.50	4,080,000	3,190,409	889,591
Total Other Long Term Obligations				25,080,000	19,865,332	5,214,668
TOTAL BUSINESS-TYPE LONG TERM OBLIGATIONS				\$ 25,461,842	\$ 20,247,174	\$ 5,214,668

Other Business-type long-term debt outstanding as of December 31, 2019 is as follows:

YEAR ENDING 12/31	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2020	1,330,756	34,969	1,365,725
2021	1,330,754	26,091	1,356,845
2022	1,278,123	17,214	1,295,337
2023	748,712	8,599	757,311
2024	526,322	2,632	528,954
TOTAL	\$ 5,214,667	\$ 89,505	\$ 5,304,172

Annual debt service requirement to maturity for other long term debt is as follows:

At December 31, 2019, the City has \$ 636,614 available in governmental debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$ 5,619,108 in sinking funds and reserves as required by bond indentures.

NOTE 10 – LEASES**Lease Revenue**

The City entered into a lease with option to purchase agreement with the Boys and Girls Club of Snohomish County leasing a portion of the City facility located at 1010 Beach Avenue. The lease agreement began on January 1, 2010 and will terminate on December 31, 2024, with the option to extend an additional five years. The option to purchase the facility cannot be exercised prior to the termination of the lease period. This asset has a cost of \$ 1,777,533, accumulated depreciation of \$115,082 and a carrying value of \$1,662,451. Non-cancelable lease provides for a minimum annual payment as follows:

Year Ending December 31	Minimum Future Rent
2020	28,529
2021	28,529
2022	28,529
2023	28,529
2024	28,529
Total	\$ 142,645

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 62,800,000	\$ -	\$ (1,700,000)	\$ 61,100,000	\$ 1,840,000
For issuance premiums	6,210,242	-	(306,970)	5,903,272	-
Total bonds Payable	69,010,242	-	(2,006,970)	67,003,272	1,840,000
800Mhz Project	83,525	-	(83,525)	-	-
Special Assessment (w/government commitment)	3,590,000	-	(690,000)	2,900,000	-
Pension Liability	5,817,587	-	(996,681)	4,820,906	-
OPEB Liability	3,466,170	179,935	-	3,646,105	-
Compensated absences	1,654,609	1,973,632	(1,654,609)	1,973,632	986,817
Governmental activity long-term liabilities:	\$ 83,622,133	\$ 2,153,567	\$ (5,431,785)	\$ 80,343,915	\$ 2,826,817
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 555,000	\$ -	\$ (175,000)	\$ 380,000	\$ 185,000
Revenue Bond	32,225,000	-	(2,610,000)	29,615,000	2,730,000
For issuance premiums	2,779,643	-	(277,964)	2,501,679	-
Total bonds Payable	35,559,643	-	(3,062,964)	32,496,679	2,915,000
Public Works Trust Fund Loans	6,545,425	-	(1,330,756)	5,214,669	1,330,757
Pension Liabilities	2,361,741	-	(273,941)	2,087,800	-
Compensated absences	311,752	386,320	(311,752)	386,320	193,161
Business-type activity long-term liabilities:	\$ 44,778,561	\$ 386,320	\$ (4,979,413)	\$ 40,185,468	\$ 4,438,918

The general fund has been used to liquidate other post employment benefits

Since internal service funds predominantly serve the governmental funds, their long-term liabilities are included as part of the above totals for governmental activities. At year end \$ 108,651 of internal service funds net pension liability and \$ 116,751 compensated absences are included in the above amounts. Also, for the governmental activities compensated absences are generally liquidated by the general fund.

Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2019.

NOTE 12 – RECEIVABLES

Receivables as of December 31, 2019 appear as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable			
Property Taxes	463,971	-	463,971
Sales & Use Taxes	777,976	-	777,976
Real Estate Excise Taxes	67,122	-	67,122
Utility Taxes	28,724	-	28,724
Total Tax Receivable	1,337,793	-	1,337,793
Customer Receivables			
Miscellaneous	1,075,919	192,920	1,268,839
Utility Accounts	-	6,185,269	6,185,269
Total Customer Receivable	1,075,919	6,378,189	7,454,108
Interest	78,413	78,366	156,779
Total Receivables	2,492,125	6,456,555	8,948,680

NOTE 13 - CONTINGENCIES AND LITIGATION

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

The City of Marysville is the defendant in certain legal actions. At this time the City Attorney is unable to determine the probability of the outcomes in these cases. However, in all cases of legal actions against the city, the City Attorney believes there are meritorious defenses to the plaintiffs' claims, and that both separately and collectively the alleged damages in these cases are within the coverage limits of the city's insurance policies. Therefore, the city believes that the costs of defending these claims, and any awards, if any, will not be material to the city's financial position.

NOTE 14 - INTERFUND TRANSACTIONS AND BALANCES

Loans between funds are classified as interfund loans receivable and payable, or advances to and from other funds depending on the time period for which the loan was made. Advances to other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements. Interfund loans receivable and payable are used primarily to meet short-term cash flow requirements while waiting for other financing instruments to be put in place.

Funds	Interfund Loans Receivable	Interfund Loans Payable
310 - Parks Construction	1,360,641	
410 - Solid Waste		1,360,641
Total	\$ 1,360,641	\$ 1,360,641

Interfund transfers are the flow of assets without a reciprocal return of assets, goods, or services in return. The City uses transfers to
1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend

them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund activity for the year is as follows:

Fund	Total Transfer Out	Transfer In						
		General	Street Construction	Street Maintenance	City Facilities	Nonmajor Governmental	Nonmajor Enterprise	Internal Services
General Fund	5,920,389	-	-	2,312,119	-	3,408,743	12,653	186,874
Street Construction	1,470,094	-	-	-	-	1,470,094	-	-
Street Maintenance	307,806	-	-	-	-	-	-	307,806
Nonmajor Governmental Funds	2,044,330	166,796	371,332	1,349,064	-	157,138	-	-
Waterworks Utility	2,487,212	864,097	-	1,144,916	-	232,688	-	245,511
Solid Waste	-	-	-	-	-	-	-	-
Total Transfer In	\$ 12,229,831	\$ 1,030,893	\$ 371,332	\$ 4,806,099	\$ -	\$ 5,268,663	\$ 12,653	\$ 740,191

Current year transfers were to fund street maintenance, street construction, debt service, and vehicle purchases. The General fund provides an annual subsidy to the Golf Course, and the Waterworks Utility provides annual funding to Street Maintenance for surface water activities.

NOTE 15 – JOINT VENTURES & OTHER RELATED ORGANIZATIONS

Snohomish County Fire Protection District 12

Effective January 1, 1992, Snohomish County Fire Protection District 12 entered into an interlocal agreement with the City of Marysville (City) to create the Marysville Fire District. The interlocal agreement provides for the joint operation of the Marysville Fire District currently administered by a 7 member governing board consisting of three Fire Protection District 12 Commissioners and four City of Marysville Council members. The board administers and manages the operations of the Marysville Fire District to provide fire protection and emergency medical response services in the City and District 12. Financial contribution by the City of Marysville are negotiated and defined on an annual basis and disbursed to the Marysville Fire District in equal monthly installments.

On July 30, 2015 the City of Marysville sent notice of termination to Fire District 12, beginning a three-year termination period per the interlocal agreement.

On March 14, 2016 the Marysville City Council approved an amendment, submitted by Fire District 12, to the agreement with Fire District 12 to accelerate the termination of the existing interlocal agreement from the initial three-year period to December 31, 2016. The current contract runs through December 31, 2019. The City and Fire District 12 have been in negotiations to establish a Regional Fire District (RFA). In April 2019, the voters approved the formation of the RFA. The Marysville District RFA was created effective October 1, 2019 and the current Marysville Fire District interlocal agency agreement between the district and City of Marysville was terminated on September 30, 2019.

Marysville Fire District RFA

A RFA Planning Committee consisting of three elected officials from the district and four elected officials from the City of Marysville, supported by leadership and staff, was established in February 2018 to evaluate the feasibility of creating a new and separate regional fire authority to provide the fire protection and emergency services within the boundaries of the City of Marysville and District 12. After one year of review, analysis, outreach and planning, the committee proposed a RFA plan document providing for the governance, design, financing and development of fire protection and emergency services. The Fire District Board and Marysville City Council passed resolutions in February 2019 to forward the RFA plan to a public vote on April 23, 2019. Voters in Marysville and Fire District 12 approved the plan authorizing and creating the Marysville Fire District RFA effective October 1, 2019.

The RFA will be government by a Board of Directors consisting of five (5) voting members consisting of four (4) elected officials of the Marysville City Council and (1) elected official from District 12. There is an additional non-voting member who shall be one (1) elected official from the District.

Separate financial statements for the new RFA may be obtained from Marysville Fire District RFA, Finance Department, 1094 Cedar Ave, Marysville, WA 98270.

Snohomish County 911

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

In the event of the dissolution of Snohomish County 911, any money in the possession of Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this agreement shall be returned to the parties to this agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the city's share was \$1,832,659 on December 31, 2019. The City's equity interest of \$1,832,659 was recorded in government activities on the statement of net position.

Snohomish County 911's 2019 operating budget was \$23,457,603, operating revenues received were \$24,057,771 and total operating expenditures were \$23,152,188. Complete financial statements for Snohomish County 911 can be obtained from Snohomish County 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Alliance of Housing Affordability

In September, 2013, the City of Marysville joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Snohomish, the Town of Woodway and Snohomish County to establish the Alliance of Housing Affordability (AHA). The agreement was amended in May 2014, to add the City of Arlington and in June 2014, to add the City of Stanwood. The purpose of the AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

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

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

Fiscal Year	AHA Budget	Marysville's Share	% of Budget
2014	\$ 89,850	\$ 3,613	4.0%
2015	92,543	3,721	4.0%
2016	93,651	3,702	4.0%
2017	97,934	3,675	3.8%
2018	102,586	5,513	5.4%
2019	107,391	6,541	6.1%
2020	112,408	6,939	6.2%

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

Budget monitoring information can be obtained from Pam Frost, Director of finance, HASCO, 127711 4th Ave W, Everett, WA 98204 (or email: pfrost@hasco.or) or from Chris Collier, Program Manager, Alliance of Housing Affordability, 127711 4th Ave W, Everett, WA 98204.

AWC Employee Benefit Trust

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

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

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019 the AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1.0 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

NOTE 16– POLLUTION REMEDIATION OBLIGATION

On December 20, 2016, the City purchased the WELCO Lumber company property located at 1218 1st Street, Marysville, WA. At the time of purchase, the City recognized that the property would require hazardous substance clean-up. Reviews and studies will be taking place during 2020 as the City finalizes plans for the final use of the property.

NOTE 17 – ASSET RETIREMENT OBLIGATION

The City of Marysville provides water, sewer and surface water services to the citizens of Marysville. As a provider of these services, the City owns, operates and maintains a lagoon, sewer filtration plants, and several wells. The City is continually maintaining and upgrading these assets ensuring that they remain in good service and continually extending the life of the assets with no plans to decommission any of these assets.

NOTE 18 - PRIOR PERIOD ADJUSTMENT

Governmental Activities - A prior period adjustment of \$4,082,888 is being reported on the Statement of Activities – Governmental Activities. During the 2018 audit the state auditors found that the acquisition costs of buildings that were purchased with the intent to demolish were not capitalized as part of the land. This resulted in land to be understated, buildings to be overstated, current year expenses to be over stated and the net position to be understated by \$146,682.

Also, during current year reviews it was found that the deferred outflow-special assessments was not being accounted for correctly in the entity-wide statements. It was being reported as unearned revenue rather than being reclassified to revenue in the entity-wide statements. The correction resulted in a prior period adjustment of \$3,936,206.

There was also a \$1,264,147 adjustment made adding the City's equity interest in Snohomish County 911 to the statement of net position. In previous years the City disclosed the amount, but did not report the full amount on the statement.

Proprietary Fund Statements and Business-Type Activities – A prior period adjustment of \$1,009,000 is being reported on the Statement of Activities – Business-Type Activities. During the 2018 audit the state auditors found \$942,541 in current year Capital Contributions had not been recorded. During the process of reviewing and posting the correction additional contributions not posted were found and corrected for a total of \$1,009,000. The review process for Capital Contributions has been modified to mitigate the risk of this happening again.

NOTE 19 – EXTRAORDINARY AND SPECIAL ITEMS

A special item of (\$9,711,276) is being reported on the Statement of Activities-Governmental Activities. The Fire 12 District Board of Commissioners and the Marysville City Council authorized a joint resolution submitting a proposition to the voters at the April 23, 2019 special election requesting adoption of the plan creating a regional fire authority (RFA) to be named the Marysville Fire District (RFA). The proposition was approved by 50.39% affirmative simple majority vote. The Marysville Fire District RFA was created effective October 1, 2019 and the Marysville Fire district interlocal agency agreement between the district and City of Marysville was terminated on September 30, 2019. The District and City adopted resolutions that provided for the transfer of property, funds, assets, records, liabilities and transfer of revenue to the RFA effective October 1, 2019. With the termination of the interlocal and the formation of the Regional Fire District the City no longer holds an equity interest in Marysville Fire District and the equity interest of \$9,711,276 has been removed.

NOTE 20– SUBSEQUENT EVENTS

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

The City of Marysville has a Revenue Shortfall Policy that has been activated at Level I. Level I activation is when reserve reductions are 1% but less than 10%. Even though the City has not needed to use reserves, it felt it was prudent to activate since the temporary

closure of many businesses would ultimately translate to reduced revenues to the City. Level I includes delaying expenditures where possible, departments monitor budget to ensure essential expenditures, and council may consider delaying/post-pone capital improvement projects (CIP). The City will also review vacant positions for possible delay and continue to seek and apply for grants relating to the event.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Marysville is unknown at this time.

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	ORIGINAL BUDGET 2019-2020	FINAL BUDGET 2019-2020	2019 ACTUAL	ACTUAL 2019-2020 BIENNIUM	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES					
Taxes	\$ 81,372,640	\$ 82,172,640	\$ 42,360,622	\$ 42,360,622	\$ (39,812,018)
Licenses & Permits	4,386,323	4,386,323	3,023,182	3,023,182	(1,363,141)
Intergovernmental	3,515,233	3,515,233	1,811,000	1,811,000	(1,704,233)
Charges for Services	8,024,903	8,024,903	4,464,112	4,464,112	(3,560,791)
Fines & Forfeitures	740,047	740,047	601,566	601,566	(138,481)
Investment Earnings	470,000	470,000	550,061	550,061	80,061
Rents & Leases	445,000	445,000	237,734	237,734	(207,266)
Miscellaneous Revenues	173,766	173,766	86,632	86,632	(87,134)
Total Revenues	99,127,912	99,927,912	53,134,909	53,134,909	(46,793,003)
EXPENDITURES					
Current:					
Judicial	3,219,164	3,219,164	1,481,906	1,481,906	1,737,258
General Government	9,279,218	9,279,218	4,115,847	4,115,847	5,163,371
Public Safety	64,402,713	64,674,597	31,428,569	31,428,569	33,246,028
Other Utilities	-	-	-	-	-
Physical Environ	4,225,829	4,225,829	2,033,124	2,033,124	2,192,705
Transportation	-	-	-	-	-
Health & Human Services	30,200	30,200	76,467	76,467	(46,267)
Economic Environment	5,914,426	5,949,426	2,811,190	2,811,190	3,138,236
Culture & Recreation	6,323,069	6,323,069	3,113,548	3,113,548	3,209,521
Capital Outlay					
General government	-	1,362,000	1,392,446	1,392,446	(30,446)
Culture & recreation	-	-	53,416	53,416	(53,416)
Total Expenditures	93,394,619	95,063,503	46,506,513	46,506,513	48,556,990
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	5,733,293	4,864,409	6,628,396	6,628,396	1,763,987
OTHER FINANCING SOURCES (USES)					
Transfers in	1,739,350	1,739,350	1,030,893	1,030,893	(708,457)
Transfers out	(16,426,894)	(16,426,894)	(5,920,389)	(5,920,389)	10,506,505
Total other financing sources (uses)	(14,687,544)	(14,687,544)	(4,889,496)	(4,889,496)	9,798,048
Net change in fund balances	(8,954,251)	(9,823,135)	1,738,900	1,738,900	11,562,035
Fund balances--beginning	17,045,136	17,045,136	18,331,220	18,331,220	1,286,084
FUND BALANCES - ENDING	\$ 8,090,885	\$ 7,222,001	\$ 20,070,120	\$ 20,070,120	\$ 12,848,119

The city's budget is adopted on a GAAP basis.

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FUND 101 - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	ORIGINAL BUDGET 2019-2020	FINAL BUDGET 2019-2020	2019 ACTUAL	ACTUAL 2019-2020 BIENNIUM	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES					
Licenses & Permits	\$ 96,000	\$ 96,000	\$ 81,500	\$ 81,500	\$ (14,500)
Intergovernmental	3,095,090	3,095,090	1,515,360	1,515,360	(1,579,730)
Charges for Services	150,000	150,000	57,991	57,991	(92,009)
Investment Earnings	400	400	753	753	353
Miscellaneous Revenues	60,000	60,000	78,009	78,009	18,009
TOTAL REVENUES	3,401,490	3,401,490	1,733,613	1,733,613	(1,667,877)
EXPENDITURES					
Current:					
Transportation	12,156,092	12,156,092	6,173,506	6,173,506	5,982,586
Capital Outlay	40,000	40,000	12,123	12,123	27,877
TOTAL EXPENDITURES	12,196,092	12,196,092	6,185,629	6,185,629	6,010,463
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(8,794,602)	(8,794,602)	(4,452,016)	(4,452,016)	4,342,586
OTHER FINANCING SOURCES (USES):					
Transfers In	9,114,602	9,114,602	4,806,099	4,806,099	\$ (4,308,503)
Transfers Out	(320,000)	(320,000)	(307,806)	(307,806)	12,194
Total other financing sources (uses)	8,794,602	8,794,602	4,498,293	4,498,293	(4,296,309)
Net change in fund balances	-	-	46,277	46,277	46,277
Fund balances - beginning	-	-	165,163	165,163	165,163
FUND BALANCES - ENDING	\$ -	\$ -	\$ 211,440	\$ 211,440	\$ 211,440

The city's budget is adopted on a GAAP basis

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees' Retirement System - Plan 1
As of June 30, 2019
Last 5 Fiscal Years

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.129963%	0.129243%	0.127933%	0.126504%	0.138175%
Employer's proportionate share of the net pension liability (asset)	\$ 6,798,274	\$ 6,940,958	\$ 6,070,521	\$ 5,649,712	\$ 5,313,319
Covered payroll	\$14,122,963	\$15,267,909	\$ 15,818,704	\$16,536,432	\$19,025,986
Employer's proportionate share of the net pension liability as a percentage of covered payroll	48.14%	45.46%	38.38%	34.17%	27.93%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

Public Employees' Retirement System - Plan 2/3
As of June 30, 2019
Last 5 Fiscal Years

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.153107%	0.150858%	0.150640%	0.147999%	0.164246%
Employer's proportionate share of the net pension liability (asset)	\$ 5,470,600	\$ 7,595,581	\$ 5,234,020	\$ 2,526,951	\$ 1,595,387
Covered payroll	\$13,645,668	\$14,200,149	\$ 14,768,762	\$15,457,811	\$17,855,996
Employer's proportionate share of the net pension liability as a percentage of covered payroll	40.09%	53.49%	35.44%	16.35%	8.93%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%

Notes to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Safety Employees' Retirement System - Plan 2

As of June 30, 2019

Last 5 Fiscal Years

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.306379%	0.247658%	0.228550%	(0.215048%)	0.197848%
Employer's proportionate share of the net pension liability (asset)	\$ 55,920	\$ 105,250	\$ 44,780	\$ (2,664)	\$ 25,728
Employer's covered payroll	\$ 888,526	\$ 803,986	\$ 809,195	\$ 844,430	\$ 912,697
Employer's proportionate share of the net pension liability as a percentage of covered payroll	6.29%	13.09%	5.53%	-0.32%	2.82%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	96.26%	99.79%	101.85%

Law Enforcement Officers' and Fire Fighters' Retirement-Plan 1

As of June 30, 2019

Last 5 Fiscal Years

	2015	2016	2017	2018	2019
Employer's proportion of the net pension (asset)	(0.015457%)	(0.015624%)	(0.015846%)	(0.016013%)	(0.015669%)
Employer's proportionate share of the net pension (asset)	\$ (186,291)	\$ (160,972)	\$ (240,419)	\$ (290,716)	\$ (309,715)
LEOFF 1 employers only - State's proportionate share of the net pension asset associated with the employer	-	\$ (1,088,810)	\$ (1,626,186)	\$ (1,966,398)	\$ (2,094,906)
TOTAL	\$ (186,291)	\$ (1,249,782)	\$ (1,866,605)	\$ (2,257,114)	\$ (2,404,621)
Covered payroll	\$ -	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%

LEOFF 1 is closed and no longer accepts contributions

Notes to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Law Enforcement Officers' and Fire Fighters' Retirement-Plan 2
As of June 30, 2019
Last 5 Fiscal Years

	2015	2016	2017	2018	2019
Employer's proportion of the net pension (asset)	(0.222857%)	(0.227940%)	(0.235422%)	(0.244296%)	(0.240505%)
Employer's proportionate share of the net pension (asset)	\$ (2,290,524)	\$ (1,325,767)	\$ (3,266,895)	\$ (4,959,741)	\$ (5,571,762)
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	\$ (1,514,498)	\$ (864,304)	\$ (2,119,173)	\$ (3,211,339)	\$ (3,648,758)
TOTAL	<u>\$ (3,805,022)</u>	<u>\$ (2,190,071)</u>	<u>\$ (5,386,068)</u>	<u>\$ (8,171,080)</u>	<u>\$ (9,220,520)</u>
Covered payroll	\$ 6,467,801	\$ 6,905,245	\$ 7,364,424	\$ 8,098,539	\$ 8,446,163
Employer's proportionate share of the net pension asset as a percentage of covered payroll	35.41%	19.20%	44.36%	61.24%	65.97%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%

Notes to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Public Employees' Retirement System - Plan 1

As of December 31, 2019

Last 5 Fiscal Years

	2015*	2016	2017	2018	2019
Statutorily or contractually required contributions	\$ 665,362	\$ 744,788	\$ 803,900	\$ 898,917	\$ 947,320
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (665,362)</u>	<u>\$ (744,788)</u>	<u>\$ (803,900)</u>	<u>\$ (898,917)</u>	<u>\$ (947,320)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,082,608	\$ 15,418,859	\$ 16,211,486	\$ 17,859,775	\$ 18,613,660
Contributions as a percentage of covered payroll	4.41%	4.83%	4.96%	5.03%	5.09%

Public Employees' Retirement System - Plan 2/3

As of December 31, 2019

Last 5 Fiscal Years

	2015*	2016	2017	2018	2019
Statutorily or contractually required contributions	\$ 817,579	\$ 877,097	\$ 1,030,587	\$ 1,222,074	\$ 1,370,023
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (817,579)</u>	<u>\$ (877,097)</u>	<u>\$ (1,030,587)</u>	<u>\$ (1,222,074)</u>	<u>\$ (1,370,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,116,258	\$ 14,394,571	\$ 15,148,685	\$ 16,758,726	\$ 17,490,694
Contributions as a percentage of covered payroll	5.79%	6.09%	6.80%	7.29%	7.83%

Notes to Schedule:

The City currently does not have 10 years of pension data available

*In the 2015 RSI, the statutorily required contributions were not distributed correctly between PERS1, PERS 2/3, and PSERS. The 2015 numbers above reflect the revised distribution

SCHEDULE OF EMPLOYER CONTRIBUTIONS**Public Safety Employees' Retirement System - Plan 2****As of December 31, 2019****Last 5 Fiscal Years**

	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily or contractually required contributions	\$ 55,473	\$ 53,412	\$ 55,562	\$ 58,825	\$ 65,578
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (55,473)</u>	<u>\$ (53,412)</u>	<u>\$ (55,562)</u>	<u>\$ (58,825)</u>	<u>\$ (65,578)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 838,497	\$ 788,947	\$ 833,865	\$ 829,259	\$ 918,893
Contributions as a percentage of covered payroll	6.62%	6.77%	6.66%	7.09%	7.14%

Law Enforcement Officers & Fire Fighters' Retirement System - Plan 2**As of December 31, 2019****Last 5 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily or contractually required contributions	\$ 350,634	\$ 373,246	\$ 396,548	\$ 435,467	\$ 432,288
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (350,634)</u>	<u>\$ (373,246)</u>	<u>\$ (396,548)</u>	<u>\$ (435,467)</u>	<u>\$ (432,288)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,721,887	\$ 7,136,631	\$ 7,696,906	\$ 8,294,618	\$ 8,315,309
Contributions as a percentage of covered payroll	5.22%	5.23%	5.15%	5.25%	5.20%

*Notes to Schedule:**The City currently does not have 10 years of pension data available***In the 2015 RSI, the statutorily required contributions were not distributed correctly between PERS1, PERS 2/3, and PSERS. The 2015 numbers above reflect the revised distribution*

City of Marysville
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended December 31, 2019
Last 2 Fiscal Years*

	<u>2018</u>	<u>2019</u>
Total OPEB liability - beginning	\$ 3,579,606	\$ 3,466,170
Service cost	-	
Interest	125,984	132,016
Changes in benefit terms	-	
Differences between expected and actual experience	(117,331)	158,802
Changes of assumptions	-	0
Benefit payments	(122,089)	(110,883)
Other changes		
Total OPEB liability - ending	<u>3,466,170</u>	<u>3,646,105</u>
 Covered-employee payroll	 \$ -	 \$ -
 Total OPEB liability as a % of covered payroll	 N/A	 N/A

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov