



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Edmonds Public Facilities District

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

Published December 3, 2020

Report No. 1027358





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

December 3, 2020

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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**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**

**Edmonds Public Facilities District
January 1, 2019 through December 31, 2019**

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Edmonds Public Facilities District, a component unit of the City of Edmonds, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 28, 2020.

As discussed in Note 11 to the 2019 financial statements, in 2020, the District is experiencing operating restrictions due to the COVID-19 pandemic that could have a negative financial effect on the District.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

August 28, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Edmonds Public Facilities District, a component unit of the City of Edmonds, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Matters of Emphasis

As discussed in Note 11 to the 2019 financial statements, in 2020, the District is experiencing operating restrictions due to the COVID-19 pandemic that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 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 August 28, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

August 28, 2020

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

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

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Edmonds Public Facilities District (the District) presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2019. The Management's Discussion and Analysis is designed to:

- Assist the reader in focusing on significant financial issues.
- Provide an overview of the District's financial activity.
- Identify changes in the District's financial position (its ability to meet future years' challenges)

The Management's Discussion and Analysis focuses on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of Management's Discussion and Analysis (this section), the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and the Notes to the Financial Statements.

The District is a business-type activity, the purpose of which is to construct, maintain and operate a performing arts center within the boundaries of the City of Edmonds. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered. The District is also supported by a legally separate entity, a 501(c)(3) not-for-profit corporation called Edmonds Center for the Arts (ECA), the purpose of which is to assist the District with community outreach, audience development and securing contributions from private sources to help support the operation of the performing arts center. ECA's financial activities are included within the Financial Statements of the District, as the non-profit is a blended component unit of the District.

FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. This statement is like the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as useful indicators of improvement or deterioration in the District's overall financial position.

Condensed Statement of Net Position

	2019	2018
Current and other assets	\$476,351	\$576,252
Capital assets(net)	10,924,739	11,373,759
Total assets	11,401,090	11,950,011
Deferred outflows of resources related to pensions	147,769	130,932
Total assets and deferred outflows of resources	<u>\$11,548,859</u>	<u>\$12,080,943</u>
Current and other liabilities	\$1,516,227	\$1,392,237
Long-term liabilities	6,443,115	7,170,149
Total liabilities	7,959,342	8,562,386
Deferred inflows of resources related to pensions	195,204	166,102
Total liabilities and deferred inflows of resources	<u>\$8,154,546</u>	<u>\$8,728,488</u>
Net Position		
Net investment in capital assets	\$4,185,209	\$3,959,959
Restricted	502,366	589,598
Unrestricted	(1,293,263)	(1,197,103)
Total net position	<u>\$3,394,313</u>	<u>\$3,352,455</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues and gains) and decreases (expenses and losses) in the District's net position during the current year.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2019	2018
Revenues		
Operating revenues	\$2,759,725	\$2,639,431
Non - operating revenues	1,003,298	1,288,455
Total Revenues	<u>\$3,763,023</u>	<u>\$3,927,886</u>
Expenses		
Operating Expenses	\$3,487,923	\$3,235,472
Non - operating expense	233,241	309,089
Total Expenses	<u>\$3,721,164</u>	<u>\$3,544,561</u>
Change in net position	41,859	383,325
Net position - beginning	3,352,455	2,969,130
Net position - end of period	<u>\$3,394,313</u>	<u>\$3,352,455</u>

Analysis of Revenues, Expenses and Changes in Net Position:

Revenues:

The District's operating revenues increased \$120,294 or 4.56% in 2019. Growth was most significant in both Ticket Sales and Contributed Revenue line items. Non-operating revenue the Districted noted a decrease in capital grant investments but continued growth intergovernmental revenue on the non-operating side of the organization in 2019. Additionally, the District exceeded prior year operating revenue performance in both in all its departments when compared to the prior year.

Expenses:

Total operating expenses for the District increased \$252,451 or 7.80% over the prior period. This was most significantly noted in due to increased costs in presented events, contributed revenue development, facilities, payroll, and additions to depreciation expense. Payroll experienced the most dramatic increase as compared to the prior year as several positions that were vacant during the majority of 2018 had been filled early in 2019.

Net Position:

The total net position of the District (assets in excess of liabilities) at December 31, 2019 was \$3,394,313. There was a increase of \$41,858 or 0.90% compared to December 31, 2018.

The District noted a non-operating loss on fixed assets of \$51,485. This loss was recorded as recommended by the State Auditor's Office. When the District retained control over the facilities, Fixed Assets had been recorded as a lump sum rather than in an itemized fixed asset list. As the district replaces assets, the State Auditor recommended the District remove old assets based on value at time of purchase minus depreciation and replace that difference with the value of the replacement asset.

The largest component of the District's net position is its investment in capital assets, less debt related to the acquisition of those assets. These assets, such as buildings and equipment, are used to provide services to citizens. As a result, these assets are not for sale, and are therefore not available to fund current District obligations.

\$502,366 of the District's total net position was restricted. This restricted portion decreased by \$87,232, or 17.36% in 2019 (See Note 1 (f)), the District's unrestricted net position *decreased* by \$96,160, or 7.44%. The remaining, unrestricted net position of the District may be used for functions of District operations such as employee salaries, programming, advertising, and supplies.

Notes to the Financial Statements

The Notes to the Financial Statements are integral to the financial statements. They immediately follow the Financial Statements in this report, and they provide additional disclosures essential to a full understanding of the statements.

FINANCIAL CONDITION, RESULTS AND OUTLOOK

Edmonds Public Facilities District, including its non-for-profit affiliate, Edmonds Center for the Arts (ECA), has grown significantly since its first years of operation, increasing operating revenues from \$500,000 in 2007 to \$2,759,725 in 2019. Management expects revenue to continue to grow in the coming decade as a result of expanding programs and services, a rapidly growing population in the Puget Sound region, and opportunities for future campus improvements and/or expansion.

The District experienced an operating loss, exclusive of depreciation of \$100,128, in 2019. The District has identified reasons for the 2019 loss and has taken steps to continue a balanced operating performance in 2019. As noted above, the majority of this loss was linked to increased payroll expense most linked to the District onboarding several positions that remained vacant through the majority of 2018.

The District continues to prioritize increasing both its operating and non-operating results and has generally reported strong financial performance over the most recent six-year period. Its overall financial position increased by \$41,859. The district has mitigated a gain to its net position due to the Intergovernmental Revenue, increased operating revenue, aggressively focusing on capital grant investments during 2019 calendar year.

Operating Performance

In FY 2019, the District incurred an operating loss before depreciation of \$100,128, compared to last year in which we incurred a gain before depreciation in the amount of \$3,360. There were several key factors that led to this operating loss. These items included:

- *Payroll Expense:* The District noted a combined increase in payroll expenses of \$156,491 or 11.98% compared to the prior year and an increase 2.7% over the allocated 2019 Payroll Budget line item. Overall, the increase costs were linked to the District filling three FTE positions that were vacant for the majority of 2018. Those positions consisted of a Development Director, Social Media Manager, and an event assistant. The District is fully staffed and does not anticipate expanding its staffing structure in 2020 or 2021.
- *Non-Payroll Operating Expense:* In 2019, the District noted its most significant increase in expenses on the following budget categories. Specifically, the District noted increases in its Artist Presentations and Theater expenses of \$23,093 or 4.38%. Development expenses increased by \$21,459 or 21.72% due to a more aggressive fundraising strategy which produced a 4.72% revenue increase over the prior. Depreciation also noted a \$28,669 or 4.78% increase which was tied to recent capital investments.

The District continued to implement its focused marketing strategy which reduced marketing expenses by \$11,151 or 6.64% compared to the prior year. This was a multi-department strategy using both ticketing data as well as input from the Districts programming department which focused individual presented events by calculating return on marketing investments.

- *Revenue Gain:* The District noted a 4.56% gain in its total operating revenue compared to the prior year. This has been most directly linked to several factors. First, contributed revenue continued to grow over its impressive performance during the prior year while also exceeding budgetary goals for 2019. This was linked directly to the introduction of additional fund raising activities, including a dramatic improvement in the annual Gala and Center Stage events. Additionally, the District has noted continued growth in its Ticket Sales, Concessions and Rental revenue.

The District continues to implement strategies to improve operating performance and improve its financial stability after such a successful year. The steps the District has taken include:

- *Changes in Staffing Structure:* In August 2017, the District hired its first Director of Operations which is a position supported in part by a multi-year grant from a private foundation through 2019. The Director of Operations' provides oversight of the Accounting, Human Resources, Information Technology, Facilities, Rental/Production and Patron Services Departments, previously overseen by the Executive Director. Under this new structure the Executive Director has had the ability to focus efforts on strategic leadership, marketing, fundraising and overall business development for the District. In 2019, with the additional management support, the Executive Director finalized the District's 5-year Strategic Plan at year end, increased fundraising revenue by \$53,114 compared to the previous year as well as successfully advocating for the Districts first operating support in the amount of \$75,000 being included in the City of Edmonds FY2020 budget.
- *Strategic Planning:* In May 2013, the Boards of Edmonds Public Facilities District and Edmonds Center for the Arts adopted a comprehensive Strategic Business Plan, which includes strategies designed to

ensure the long-term financial stability and sustainability of the District and the Center.

- Beginning in June of 2017, the District and the Not-For-Profit Boards and staff embarked on a planning process to update the Strategic Business Plan for the next five-year period (2018 – 2022). The District and Non-Profit Boards officially approved the 5-year Strategic Business Plan at its joint Board meeting in December 2018. In 2019, District department heads and board committees began implementing work plans based on the Strategic Business Plan objectives. These plan objectives focused primarily the further development of earned revenue by developing new rental business, expanding the non-profit donor base, analyzing the net profit of presented events before sponsorship, stewardship of District assets and the development of external partnerships.
- *Historic Facility Preservation Fee:* In September 2017, the District instituted a new Historic Facility Preservation Fee per ticket sold. The revenue from this fee has been and will continue to be placed on reserve and restricted for facility maintenance and replacement projects as identified in the District's new Preventative Maintenance and Capital Replacement Schedule. Priorities for expending these funds will be set by the District's Facilities and Operations Committee and will be recommended to and approved by the District's Board of Directors. The District may spend up to 75% of the funds collected on Capital improvements in a calendar year in the next budget period. The remaining 25% will be retained as a reserve for future use as approved by the District's Facilities and Operations Committee. The budget for FY 2019 for facility maintenance and replacement projects should not exceed the amount of revenue that was collected in FY 2018 from this fee. Any expenses in excess of these thresholds must be approved by the District Board. As of December 31st, 2018, the District had collected \$71,301 as a result of the new fee, and it collected an additional \$52,098 in 2019. Because of this new revenue source, in 2019 the District was able to fund a critically needed new Fire Panel.

Non-Operating Performance

The District's Intergovernmental Revenue, which exclusively funds its Bond Debt Service payments, comprises direct sales tax rebates from the State of Washington, contributions from Snohomish County Public Facilities District established by inter-local agreement, and a portion of net revenue generated by the operation of Edmonds Center for the Arts. The economic crisis that began in 2008 has resulted in average annual shortfalls of approximately \$125,000 between projected sales tax revenues and actual receipts.

Between 2011 and 2019, the District's annual bond payment obligations have been met, in part, with loans from the City of Edmonds as prescribed in a Contingent Loan Agreement (CLA) between the two entities signed in 2008 (see Note 3 in the accompanying Notes to the Financial Statements). Under the terms of the CLA, the City of Edmonds is contractually obligated to advance to the District, as a loan, the amount of any shortfall in the District's Debt Service Fund each year. The City of Edmonds pledges its full faith and credit thereto. The City will continue to provide the same contingent financial support to the District for the life of the bonds, or until such assistance is no longer required.

The District has made excellent progress to secure new revenue streams to address these annual shortfalls in sales tax revenues resulting from the economic crisis, both to pay back past loans, and to eliminate the need for future loans from the City of Edmonds. In 2019, the District is able to report it was able to fully meet debt services obligation for that year as well as make a \$50,000 payment on the CLA loan from the City of Edmonds.

- *Increased Sales Tax Revenues:* For the past six years, the City of Edmonds and Snohomish County have experienced significant increases in sales tax revenues. As macro-economic conditions continue to improve, the sales tax revenue the District receives has increased and has helped to close the gap between non-operating revenue and bond payments. The District received additional funds from Snohomish County Public Facilities District in 2019 (referred to as the “Tier 2” allocation) for the sixth time since FY 2009. The District received \$132,894 in FY 2018 from this allocation, and as projected we received \$178,847 in FY 2019, further closing the gap between sales tax revenues and bond debt expense.
- *Extension of Public Facilities District Legislation:* In 2017 the Washington State Legislature passed House Bill 1201, and the Bill was subsequently signed into law by Governor Jay Inslee in April 2017 extending the sales tax rebate for Public Facilities Districts by a period of 15 years from 2027 to the year 2041. The extension of this funding source provides the District with several options for re-funding or refinancing its long-term debt for capital maintenance, replacement, and improvements, or for operations if required. In 2018, the District in collaboration with the Districts in the Public Facilities District completed the allocation process for the extended sales tax rebate and projects an additional \$16 million dollars in tax revenue between the 2027 to 2041 period.

REQUESTS FOR INFORMATION

The following Financial Statements are designed to provide users with a general overview of the District’s financial performance as well as to demonstrate accountability to its citizens, investors, creditors, and other customers. If you have a question about this report, please contact Edmonds Public Facilities District, 410 Fourth Avenue North, Edmonds, Washington, WA 98020, (425) 275-4485.

Edmonds Public Facilities District
Statement of Net Position
As of December 31, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents - Unrestricted	\$ 110,931
Cash and Cash Equivalents - Restricted	100,378
Customer Accounts Receivable	54,237
Pledges Receivable	89,628
Due from Other Governments	79,263
Inventory	6,237
Prepayments	35,677
Total Current Assets	<u>\$ 476,351</u>

Noncurrent Assets:

Land	\$ 3,444,885
Construction in Progress	2,295
Buildings, Equipment, Furniture and Other Depreciable Assets	15,242,301
Accumulated Depreciation	(7,764,741)
Total Noncurrent Assets	<u>\$ 10,924,739</u>

TOTAL ASSETS

\$ 11,401,090

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	147,769
	<u>\$ 147,769</u>

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 236,713
Wages and Benefits Payable	87,235
Unearned Ticket Sales and Other Unearned Revenue	470,645
Liabilities for Customer Deposits	38,075
Accrued Interest	5,049
Current Portion of Long-Term Liabilities	678,509
Total Current Liabilities	<u>\$ 1,516,227</u>

Noncurrent Liabilities:

Loan Payable to First Financial NW Bank	\$ 2,242,813
Contractual Obligation to the City of Edmonds	2,585,000
Loan Payable to the City of Edmonds	1,206,191
Loan Payable to Dansound	27,017
Liability for Compensated Absences	36,357
Net Pension Liability	345,737
Total Noncurrent Liabilities	<u>\$ 6,443,115</u>

TOTAL LIABILITIES

\$ 7,959,341

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	195,204
	<u>\$ 195,204</u>

NET POSITION:

Net Investment in Capital Assets	4,185,209
Restricted	502,366
Unrestricted	(1,293,262)

TOTAL NET POSITION

\$ 3,394,313

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

Edmonds Public Facilities District
Statement of Revenue, Expenses and Changes in Net Position
For the Period Ended December 31, 2019

Operating Revenues:	
Ticket Sales and Fees	\$ 706,233
Rentals	611,471
Education and Outreach	51,122
Concessions	140,232
Contributions	1,177,617
Advertising	20,950
Facilities	52,098
Total Operating Revenue	<u>\$ 2,759,725</u>
Operating Expenses:	
Artist Presentations and Theatre	\$ 550,317
Rentals	38,811
Education and Outreach	71,705
Development	120,248
Advertising and Marketing	156,904
Payroll, Taxes and Employee Benefits	1,490,433
Pension Expense under GASB 68	(25,940)
Facilities Maintenance and Utilities	188,619
Contracted Services	8,775
Supplies and Other Operating Expenses	259,982
Depreciation	628,070
Total Operating Expenses	<u>\$ 3,487,923</u>
Operating Income (Loss)	\$ (728,198)
Non-operating Revenue and (Expenses):	
Intergovernmental Revenue	\$ 824,848
Grant Revenue	175,211
Interest Expense	(181,756)
Interest Earned	2,311
Loss/Gain on Stock Realized	928
Loss/Gain on Fixed Assets	(51,485)
Non-Operating Income (Loss)	<u>\$ 770,057</u>
TOTAL NET INCOME (LOSS)	\$ 41,859
BEGINNING NET POSITION	<u>\$ 3,352,455</u>
END OF YEAR NET POSITION	<u><u>\$ 3,394,313</u></u>

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

Edmonds Public Facilities District
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:

Ticket Sales	888,052
Rental Receipts	599,796
Concession Sales	139,821
Contributions Received	1,161,242
Payments to Artists	(654,176)
Payments to Suppliers	(383,097)
Payments to Employees	(1,435,426)
Other Outside Payments	(285,927)
Net cash provided (used) by operating activities	<u>\$ 30,285</u>

Cash Flows from Noncapital Financing Activities:

Cash borrowed from the City of Edmonds	\$ 30,836
Cash flows from noncapital financing activities	<u>\$ 30,836</u>

Cash Flows from Capital and Related Financing Activities

Receipt of sales taxes & other intergovernmental payments	829,097
Receipt of grant revenue	175,211
Principal paid on long-term debt	
Contractual obligation to the City of Edmonds	(350,000)
Principal paid Dansound	(23,157)
Principal paid loan payable City of Edmonds	(50,000)
Principal paid to FFNFB	(280,352)
Interest paid on long-term debt	(172,451)
Purchase of capital assets	(16,765)
Net cash flows from noncapital financing activities	<u>\$ 111,583</u>

Cash Flows from Investing Activities:

Interest received on investments	2,311
Loss on sale of investment	928
Loss/Gain Fixed Assets	(115,410)
Net cash provided by investing activities	<u>\$ (112,171)</u>
Total adjustments	<u>\$ 60,533</u>

Beginning Cash

\$ 150,776

Ending Cash

\$ 211,309

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	\$ (728,198)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	628,070
Changes in assets and liabilities:	
Accounts Receivables	(62,975)
Inventory	(1,319)
Prepayments	(3,705)
Account Payable	48,015
Salaries & Benefits Payable	16,275
Compensated Absences	7,273
Unearned revenues	57,647
Unearned customer deposits	2,925
Pension Liability	66,277
Net cash provided by operating activities	<u>\$ 30,285</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Edmonds Public Facilities District (referred to hereafter as the “District”), which conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB), are regulated by the Washington State Auditor's Office. The District’s financial statements are comprised of the accounts of the District per se, a government body, and its private-sector not-for-profit affiliate, Edmonds Center for the Arts (ECA). The District’s significant accounting policies are described below.

ECA follows accounting standards promulgated by the Financial Accounting Standards Board. It applies those standards by utilizing guidance contained in the American Institute of Certified Public Accountants Audit and Accounting Guide, “Not-for Profit Entities.” Financial statements for ECA alone are included in its Form 990, filed annually with the Internal Revenue Service. Copies of Forms 990 filed by ECA for the three most recent years may be downloaded without charge from the website of Guidestar, Inc. (<http://www.guidestar.org/>).

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

A. Reporting Entity

The District is a municipal corporation in the State of Washington. It was created in 2001 by City of Edmonds Ordinance No. 3358 pursuant to Chapter 35.57 of the Revised Code of Washington to “design, construct, operate, and maintain an undesignated public facility.” It is a discrete component unit of the City of Edmonds. Its governing board is appointed by the City Council of Edmonds and comprises of five members who serve staggered four-year terms, with one term renewal permitted.

ECA is a not-for-profit corporation organized and operated in conformity with Section 501(c) (3) of the Internal Revenue Code. ECA’s activities are limited to providing support for the District and its performing arts center. ECA conducts various activities to raise funds, primarily from private- sector sources, including individuals, corporations and other businesses, and foundations. Its eighteen-member Board of Directors is appointed by the Board of the District for three-year terms renewable two times. ECA Board members provide advice and counsel to the entity.

B. Basis of Accounting

The District uses the economic resources measurement focus and full accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. Regardless of the timing of the cash flows.

The District’s operating expenses include all costs associated with its presenting, rental and concessions businesses, as well as the costs associated with administration and fundraising. Financial costs, principally interest expense, are recorded as non-operating expenses.

The District receives and records operating revenue from the sources described below. Sales tax rebate receipts, intergovernmental revenues, as well as interest and other investment revenues as non-operating revenues.

(1) *Ticket Sales* to ECA Presentations are recorded as a liability, "Unearned Revenue," until the date of the performance. Ticket revenue is therefore recognized as earned on the date of each performance. Tickets returned by patrons prior to performances are reclassified as contribution revenue at amounts equal to the original ticket sale price and placed back into ticket inventory for resale.

(2) *Rental Revenue* is derived from rentals of the auditorium, as well as other spaces in the facility. Rentals received in advance are recorded as "Unearned Revenue," a current liability on the Statement of Net Position. Unpaid rents are recorded as accounts receivable.

(3) *Sales Tax Revenue and Intergovernmental Revenue* are recorded as non-operating revenues on the Statement of Revenues, Expenses and Changes in Net Position. District sales tax revenue represents a rebate of a portion of State of Washington sales taxes assessed and collected within the District. Intergovernmental revenue consists of the proceeds of an Inter-Local Agreement between the City of Edmonds, Edmonds Public Facilities District, Snohomish County, and the Snohomish County Public Facilities District. That agreement provides for rebates of sales taxes assessed and collected elsewhere in Snohomish County to public facilities districts in the county, including the District.

Under the agreements which generate these revenues, they must be used first to pay the annual principal and interest on the District's long-term debt. The debt that must be so serviced comprises the District's 2012 Contractual Obligation to the City of Edmonds (see Note 3). Loan payable to First Financial Northwest Bank (see Note 3). Loan payable to the City of Edmonds (see Note 3). In any fiscal year in which the Sales Tax and Intergovernmental Revenues exceed the amounts required to service those three liabilities, the excess may be used by the District for operations, capital expenditures, or other debt reduction.

In the event the District lacks sufficient non-voted debt capacity to incur indebtedness resulting from a loan from the City, the District shall incur indebtedness for an amount equal to the District's remaining non-voted debt capacity, if any, and any loan amount greater than the District's then-remaining non-voted debt capacity shall be deemed an equity payment by the City to the District in exchange for an interest in the Regional Center, which need not be repaid. Within 60 days after any such equity payment by the City, the District shall deliver to the City a quitclaim deed conveying to the City a tenancy-in-common interest in the Regional Center. Such interest shall be a percentage ownership interest in the Regional Center, the numerator of which shall be the sum of such equity payment and the costs of transferring title and recording such quitclaim deed, and the denominator of which shall be the aggregate original principal amounts of: (a) the Refunded Bonds, (b) all bonds issued by the City to finance the Regional Center, and (c) any other bonds issued by the District to finance the Regional Center (excluding from clause (c) the Note, the Prior Note (as defined in the Original Agreement) and any bonds, or any portion thereof, issued to refinance bonds issued by the City or the District to finance the Regional Center).

The Sales Tax and Intergovernmental Revenues are recorded as revenue during the fiscal period in which they are assessed. Revenues earned but not yet received are recorded as receivables.

(4) *Contributions* are the principal revenue source for Edmonds Center for the Arts. They are received in three different forms: cash donations, donation of financial instruments, and donated performance tickets. Contributions are recorded as revenue when they are in the form of voluntary unconditional promises to give. ECA records donations as revenue on the date of receipt. ECA's policy is to sell donated financial instruments immediately thereafter. Donated tickets are placed back into inventory for sale to the public.

The District is delaying the implementation of the following GASB'S Statements:

- a. *Statement NO. 83 – Certain Asset Retirement Obligations*: The District is still working on our Fixed Asset policy and we expect it will be fully implemented in 2020.
- b. *Statement NO. 87 – Leases*: This new GASB is complex and the District needs additional time to research and implement. We expect to have this completed by 2021.
- c. *Statement NO. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*: The District needs additional time to research and implement. We expect to have this completed by 2020.

C. Cash and Cash Equivalents

In the statement of Net Position, Cash and Equivalents includes cash in the bank and short-term investments held in the Washington State Local Government Investment Pool (LGIP), these investments are reported at amortized cost.

D. Receivables

Customer accounts receivable consist of amounts due from private individuals or organizations for goods and services. Pledges receivable consist of amounts due on promised contributions. The amount due from governments consists of sales tax and sponsorships. Total receivables are listed below:

Customers	\$ 54,237
Pledges from Private Sources	\$ 89,628
Due from Government	<u>\$ 79,263</u>
Total Receivables	\$223,128

E. Inventories

Inventories consist primarily of goods held for sale as concessions. Inventories are valued at historic cost under the FIFO identification method. Balance at 12/31/2019, \$6,237. This resulted in an increase of \$411 from 2018.

F. Restricted Assets

These accounts contain resources for debt services, grants, and facilities. Specific debt service reserve requirements are described in (Note 3).

The District implemented a facility ticket fee in 2017 which are designated for specific purposes generally not part of the Operating Budget. Specifically, for the sole purpose of making capital improvements, or to make emergency maintenance outside of the normal day to day operations of the facility with authorization from the EPFD Board. The amount due from governments consists of sales tax, contributions made from Snohomish County Tax and Lodging, Edmonds Arts Commission, City of Edmonds Diversity Commission (posted to revenue but not collected) and Donor restricted cash. From time to time, the District has found it necessary to obtain its Board authority and approval to transfer funds temporarily to its Operations fund (Inter-fund Loan).

The restricted assets are composed of the following:

Cash – Debt Service	\$ 28,693
Cash – Facilities	\$ 39,559
Cash – Donation	\$ 32,126
Due from Governments	\$ 79,263
Inter-fund Loan	<u>\$322,725</u>
Total Restricted Assets	\$502,366

G. Compensated Absences

Employees who work 30 or more hours per week earn compensated vacation each pay period based on the number of hours worked. The amount of paid leave an employee can earn depends on their length of service with the organization and the number of hours they are regularly scheduled to work each week. A maximum of 30 unused vacation days may be carried over from one year to the next.

The Districts long term year's liability at December 31, 2019 was \$36,357. This resulted in an increase of \$14,453 from 2018.

H. Deferred Outflows/Inflows of Resources

In the Statement of Net Position, Deferred Outflows/Inflows of Resources is related to pensions. (See Note 6.)

NOTE 2 – CAPITAL ASSETS

Capital assets include land, buildings, equipment, and technology/software. The District capitalizes purchased items having a useful life of more than one year and an acquisition value more than \$2,000.

Due to the size of our organization the Board changed the policy from \$5,000 to \$2,000 in fiscal year 2019.

Purchased assets are recorded at cost when placed in service. The District's major capital asset is its 2006 renovated auditorium and the un-renovated structure of which it forms a part. That building is being depreciated over a 25-year life using the straight-line method. Other capital assets are depreciated over a period of 15 years or less using the straight-line method. Land and construction in progress are not depreciated. Donated Assets are valued at acquisition cost. For major maintenance or replacements of the 2006 renovation components (pre-existing asset), the district adjusts the asset record for the addition and the removal. Capitalizes subsequent replacements or major maintenance (ex: such as new roof) and adjusts the existing asset record (and accumulated depreciation) for the removal or disposal (ex: such as of the old roof).

To determine how to evaluate the component costs removed from the larger, the removal of the asset record will be determined by using an Inflation Calculator <https://www.usinflationcalculator.com/>. After removing accumulated depreciation, a gain or loss of the disposal would be recognized. The new asset will be depreciated over the life of the asset.

The schedule that follows shows beginning and ending balances, as well as the changes in capital assets and accumulated depreciation during the year ended December 31, 2019. The district made a correction from fiscal year 2018 of \$8,257 due to carpet replacement deemed as maintenance and not a fixed asset.

The district upgraded its Lobby and Pantry area, Fire Panel, Boiler system, purchased new lighting in the Gym and additional new equipment for the pantry area.

Schedule of Capital Asset Activity

	Balance 1/1/2019			Balance 12/31/2019
		Increases	Decreases	
Land	3,444,885			3,444,885
Construction in Progress	13,675	0	(11,380)	2,295
Total capital assets, non-depreciable:	\$3,458,560	0	(11,380)	\$3,447,180
Capital assets, depreciable: Building	14,567,091	336,086	(255,558)	14,647,619
Furniture and Equipment	558,293	7,611		565,904
Technology and Software	28,778			28,778
Total capital assets depreciable:	\$15,154,162	343,697	(255,558)	\$15,242,301
Less accumulated depreciation for: Building	(6,919,312)	(616,165)	134,840	(7,400,637)
Furniture and Equipment	(290,872)	(44,454)		(335,326)
Technology and Software	(28,778)			(28,778)
Total accumulated depreciation:	(7,238,962)	(660,619)	134,840	(7,764,741)
Total net depreciable capital assets:	\$7,915,199	(316,922)	(120,718)	\$7,477,560
Total capital assets, net:	\$11,373,759	(316,922)	(132,098)	\$10,924,739

NOTE 3 – LONG-TERM DEBT

In 2008, Edmonds Public Facilities District issued Sales Tax Obligation and Refunding Bonds in the amount of \$4,000,000. The bond proceeds were used to refund the District's outstanding balance on its 2005 General and Revenue Obligation Line of Credit (\$3,883,804). The remaining proceeds were used to pay bond issuance costs and a portion was placed in reserve for future debt payments. The Bonds were issued pursuant to chapters 35.57 and 39.46 of the Revised Code of Washington and Resolution No. 27 adopted by the District's Board of Directors. When the Sales Tax Obligation and Refunding Bonds were issued, the District entered into a Contingent Loan Agreement (CLA) with the City of Edmonds (the City) providing credit support for the bonds.

The CLA (original agreement dated July 14th, 2008) states that the City pledges its "full faith, credit and resources" in an "absolute and unconditional" obligation to lend money to the District for paying debt service on the bonds. Although the District made higher payments on the 2012 Sales Tax Obligations than the previous year, and was able to make a payment towards the CLA Bond Agreement of \$50,000 in 2019.

The total principal and interest due on the CLA at December 31, 2019 is \$1,206,191. Interest accrues on the outstanding balance at the Local Government Investment Pool rate as determined as of the last day of each month in which the loan is outstanding and shall change monthly as of the first day each month in which the loan is outstanding. Unless paid earlier, all loans shall mature on December 31st, 2028.

Resolution No. 2018-2, adopted on October 25, 2018, and entitled " A resolution of the District providing for the issuance of a note in the principal amount of not to exceed \$3,000,000, to provide funds with which to repay and redeem in a current refunding of its outstanding Sales Tax Obligation and refunding bonds, 2008, and pay the costs of issuance of the note and administering the refunding plan;

The 2008 Sales Tax Obligation and Refunding Bonds were refinanced in 2018. The District borrowed \$2,803,516 from First Financial Northwest Bank.

The Amended Contingent Loan Agreement (CLA):

This first amended and restated CLA is dated November 15th, 2018 and amends and restates the CLA dated July 14th, 2008 (the original agreement), by and between the City of Edmonds and the District. The City of Edmonds and the District entered into this agreement solely for the purpose of providing credit support for the District's Loan (promissory) note, 2018 issued in the amount of \$2,803,516. Under the new CLA the District did not borrow any funds. The loan amount did not exceed the amount necessary to refund the Refunded 2008 Bonds and pay the cost of issuance and sale of the note.

NOTE 3 – LONG-TERM DEBT

Loan: First Financial Northwest Bank outstanding as follows:

	Interest	Balance	Paid in	Balance
Issue Name	Rates	12/31/2018	2019	12/31/2019
First Financial Northwest Bank	3%	\$2,803,516	\$280,352	\$2,523,164

Following is a table which reflects debt service to maturity for the Contractual Obligation to the First Financial Northwest Bank:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	280,352	76,957	357,308
2021	280,352	68,219	348,571
2022	280,352	59,692	340,043
2023	280,352	51,164	331,516
2024-2028	<u>1,401,756</u>	<u>128,048</u>	<u>1,529,806</u>
	\$2,523,164	\$384,080	\$2,907,244

Contractual Obligation to the City of Edmonds 2012:

In 2002, Edmonds Public Facilities District became obligated under an inter-local agreement with the City of Edmonds to apply its receipts of sales tax revenues to the City over the life of the City's Limited General Obligation Bonds issued in 2002. A major portion of the proceeds of that bond issue was used for the acquisition, renovation and initial operation of a Performing Arts Center by the District.

On October 12, 2012, the City of Edmonds refunded the 2002 Limited Tax General Obligation Refunding Bonds with a face amount of \$5,650,000. The 2012 refunding bonds are in total a liability of the City of Edmonds and are not reported as liability of the District. However, the District remains contractually obligated to the City of Edmonds to continue to apply its sales tax receipts to the City under the Inter-local agreement as per the schedule below. The liability to the City has been appropriately recorded on the District's Statement of Net Position as "Contractual Obligation to the City of Edmonds." The amount of the District's obligation to the City at the date of refunding was \$4,965,000 with interest rates ranging from 1.75% to 3.0%, depending on the maturity of each principal installment. The bonds are scheduled to be retired in annual amounts beginning in 2013 and continuing through 2026.

NOTE 3 – LONG-TERM DEBT

District Contractual Obligation to the City of Edmonds currently outstanding as follows:

	Interest	Balance	Paid in	Balance
Issue Name	Rates	12/31/2018	2019	12/31/2019
Contractual Obligation to the City of Edmonds	1.75%-3%	\$3,310,000	\$350,000	\$2,960,000

Following is a table which reflects debt service to maturity for the Contractual Obligation to the City of Edmonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	375,000	60,593	435,593
2021	400,000	53,093	453,093
2022	430,000	41,093	471,093
2023	455,000	32,493	487,493
2024-2026	<u>1,300,000</u>	<u>46,620</u>	<u>1,346,620</u>
	\$2,960,000	\$233,892	\$3,193,892

NOTE 3 – LONG-TERM DEBT

A promissory note was issued with DanSound to facilitate the purchase of the District's Meyer Melodie sound array for use in the theater. The purchase of this equipment was funded by a Snohomish County Grant awarded in 2018 for theater upgrades. A portion of the grant was allocated as a \$30,000 down payment for the upgrade, and a promissory note was issued at zero percent interest for the remaining balance. The District has benefited from this arrangement as previously when artists contract's required enhanced sound equipment, the District would be required to rent this equipment. By owning this sound equipment, the District saves on average over \$20,000 a year inclusive of the annual payments noted above.

Promissory Note to DanSound currently outstanding as follows:

	Interest	Balance	Paid in	Balance
Issue Name	Rates	12/31/2018	2019	12/31/2019
Note Payable to Dansound	0%	\$73,331	\$23,157	\$50,174

Following is a table which reflects debt service to maturity for the Promissory Note Payable to DanSound:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	23,157	0.00	23,157
2021	23,157	0.00	23,157
2022	3,860	0.00	3,860
	<u>\$50,174</u>	<u>\$0.00</u>	<u>\$50,174</u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

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

<u>Issue Name</u>	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
First Financial Northwest Bank	2,803,516		(280,352)	2,523,164	280,352
Contractual Obligation: City of Edmonds	3,310,000		(350,000)	2,960,000	375,000
CLA - City of Edmonds	1,226,952	29,239	(50,000)	1,206,191	0
DanSound	73,331		(23,157)	50,174	23,157
Net Pension Liability	437,954		(92,217)	345,737	0
Compensated Absences	21,904	14,453		36,357	0
Total Long-Term Liabilities	\$7,873,657	\$43,692	(\$795,726)	\$7,121,623	\$678,509

NOTE 5 – OTHER INCOME

In August of 2019, the District began the process of renovating its box, concessions, and bar areas of its lobby through a Snohomish County Lodge Tax Advisory Committee grant in the amount of \$125,000. This project has provided new equipment and facilitate more efficient services for the Districts patrons. The improved operations eventually are expected to create increased ticket and concessions revenue.

The District received two grants in FY 2015 for replacing the gymnasium roof: \$225,000 from Snohomish County, and \$250,000 from the State of Washington, for a total of \$475,000 for the project. Since the roof replacement project is complete, any remaining funds from the State appropriation may be invested to help address additional improvements in the gymnasium. During 2019, the continued improvements were invested in the gymnasium's electrical system, lighting, and lighting truss. These improvements will increase the marketability of this section of the building and provide labor savings for larger scale events.

From the above grants, we received \$175,211 in 2019.

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	\$ 345,737
Pension assets	\$ 0
Deferred outflows of resources	\$ 147,769
Deferred inflows of resources	\$ 195,204
Pension expense/expenditures	\$ 58,565

State Sponsored Pension Plans

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

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

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

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

Public Employees’ Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60

with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

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

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 2/3
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

The District's actual PERS plan contributions were \$54,012 to PERS Plan 1 and \$84,505 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

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

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum,

or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 4,815,609,000	\$ 3,845,355,000	\$ 3,003,532,000
0.006779%	326,450	260,677	203,609
PERS 2/3	7,449,792,000	971,340,000	(4,344,658,000)
0.008757%	652,378	85,060	(380,462)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, the District reported a total pension liability of \$345,737 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 260,677
PERS 2/3	\$ 85,060

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.006585%	.006779%	.000194%
PERS 2/3	.008426%	.008757%	.000331%

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, in which the District does not participate.

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

Pension Expense

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

	Pension Expense
PERS 1	\$ 21,704
PERS 2/3	\$ 36,861
TOTAL	\$ 58,565

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PLAN PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments		(\$17,415)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$26,916	\$0
TOTAL	\$26,916	(\$17,415)

PLAN PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$24,370	(\$18,287)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$123,813)
Changes of assumptions	\$2,178	(\$35,688)
Changes in proportion and differences between contributions and proportionate share of contributions	\$49,515	\$0
Contributions subsequent to the measurement date	\$44,784	\$0
TOTAL	\$120,847	(\$177,789)

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$24,370	(\$18,287)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$141,288)
Changes of assumptions	\$2,178	\$35,688)
Changes in proportion and differences between contributions and proportionate share of contributions	\$49,515	\$0
Contributions subsequent to the measurement date	\$71,700	\$0
TOTAL	\$147,763	(\$195,204)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2020	(3,845)
2021	(9,107)
2022	(3,250)
2023	(1,214)
2024	
Thereafter	
TOTAL	(17,415)

Year ended December 31	PERS 2/3
2020	(26,703)
2021	(53,147)
2022	(17,783)
2023	(4,684)
2024	(1,929)
Thereafter	2,521
TOTAL	(101,726)

NOTE 7 – LONG-TERM RENTAL AGREEMENT

In 2006, the District entered a long-term rental agreement with a customer for the use of some of its facilities on designated future dates. The initial term of the agreement was ten years, which expired on October 31, 2018, with the tenant having options to renew for three successive five- year terms. The tenant exercised its option and the agreement now extends through December 31, 2023, with options for two additional five-year terms. The rent is received in monthly payments to the District and totaled \$86,546 in 2019, which is included in “Rental Revenues” on the District’s Statement of Revenues, Expenses and Changes in Net Position. The rent will increase by 3% in November each future year, including renewals. The tenant has every intention on renewing this agreement beyond 2023: Rents for the year 2020 through year 2023 will be:

Year 2020	\$89,142
Year 2021	\$91,817
Year 2022	\$94,571
Year 2023	\$97,408

NOTE 8 – DEPOSIT AND INVESTMENTS

Credit Risk. The District complies with state law which requires all investments of the District’s funds be obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool (LGIP), and time certificates of deposit with authorized Washington State banks.

Custodial Credit Risk - Deposits. All District and ECA deposits are insured by Federal Depository Insurance Corporation (FDIC) coverage limits.

The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. The FDIC provides separate coverage for deposits held in different account ownership categories. Depositors may qualify for coverage over \$250,000 if they have funds in different ownership categories and all FDIC requirements are met. All deposits that an accountholder has in the same ownership category at the same bank are added together and insured up to the standard insurance amount.

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

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

The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the:

Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at

<http://www.tre.wa.gov>.

As of December 31, 2019, the District held \$28,615 in the LGIP at amortized cost.

NOTE 9 – RISK MANAGEMENT

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

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

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property

loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

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

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

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

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

The District believes its various property and casualty risks are covered appropriately by its Enduris membership. The amount of settlements has not exceeded insurance coverage in the last three years.

NOTE 10– FINANCIAL CONDITION

The Board of Directors and Management of Edmonds Public Facilities District are confident that the financial condition of the District is stable, and that the strategies outlined in the Management’s Discussion and Analysis section of this report will lead to long-term financial stability.

Further, the recently adopted extension of the Public Facilities District legislation by the State of Washington will conservatively provide an estimated \$16 Million in new projected revenue. This new law extends the current legislation establishing and governing Public Facilities Districts, including the related sales tax rebate, by a period of 15 years beyond its original sunset date (2026) to the year 2041. The extension of this funding source will provide the District with several options for re-funding or refinancing long-term debt for capital maintenance, replacement, or improvements.

The District continues to focus on revenue development through new programming, the acquisition of multi-year capital investment grants, continued partnership with the City of Edmonds and expansion of rental activities within the facilities.

This chart provides a two-year look at actual revenues for Fiscal Years 2018 – 2019 from these three intergovernmental revenue streams.

Tax Revenue 2018-2019		
Tax Revenue Source:	2018	2019
State of Washington Direct Sales Tax Rebate	\$357,066	\$334,200
Snohomish County "Tier 1" Agreement	\$297,985	\$311,227
Snohomish County "Tier 2" Agreement	\$132,895	\$178,846
Total:	\$787,945	\$824,273

District staff will continue to focus on improving operating efficiencies, although 2019 noted an increase in operating expenses was noted due to the addition of critical staff who will facilitate the growth of new programmatic, marketing, and rental revenue. It is important to note that non-operating revenue will increase significantly due to the District successfully negotiating a larger than expected allocation share of the House Bill 1201 extended sales tax rebate between 2027 through 2041. Revenue most notably increased through Contributed revenue by 4.72%, rental revenue by .37%, fees collected through the Historic Facility Preservation Fund by 4.35% in 2019, and all indications suggest that this growth will continue 2020.

In FY 2019, it is important to note that the District's depreciation expense comprised 18.01% of its reported operating expenses. A performing arts center relies upon ticket revenue, rental revenue, and private contributions to meet its annual operating requirements and, therefore, it can be challenging to achieve an operating surplus of 20% or higher each fiscal year to cover depreciation. To help meet this challenge, the District collects a historic facility preservation fee on tickets sold through the Edmonds Center for the Arts box office that is restricted to capital maintenance and replacement. Total revenue earned in 2019 from the new facility fee was \$ 52,098.

NOTE 11 – SUBSEQUENT EVENTS

The Board of Directors and Management of Edmonds Public Facilities District have identified and acted upon several opportunities following the close of this reporting period which will further assure the financial stability of the District. For example, the District currently is in the process of refinancing bond debt, implementing operational cost savings, procuring new theater equipment with Snohomish County grant funds as well as focusing on new revenue sources and identifying staffing efficiencies.

- *New Revenue:* In January 2020, the District received operating support from the City of Edmonds in the amount \$75,000 for the second time. District staff plan to continue to search for new partnership opportunities with the City of Edmonds. Additionally, in May 2020, the District opted to renew the its popular accessibility sponsorship opportunity at this year's Center Stage event following the success of its introduction in 2019. The funds collected for this sponsorship will assist in making events more accessible for all the District's visitors, including but not limited to offsetting costs associated with providing CART captioning for people with hearing disabilities.
- *Bond Refinancing:* In late 2020 the District will begin the process of refinancing its 2012 Bonds. The District is assessing the possibility of stretching the existing debt out through 2041 significantly lowering its annual debt services payment. The District would then apply savings to capital investments and creating a reserve from the district's annual operating surplus.
- *Multi Year Grant:* In late 2019 and early 2020, District staff successfully applied for a multi-year grant from Snohomish County's Hotel Lodging Tax Committee in the amount of \$100,000 per year between 2021 through 2025. These funds can be used to support debt service payments as well as being invested into capital improvements.
- *COVID-19 Pandemic:* Currently, District staff are working under operating restrictions due to the COVID-19 pandemic. As of March 2020, the District has furloughed all hourly event staff, closed the facilities to the public, cancelled all events as well as meetings and Performances. As of June 2020, all remaining administrative staff have been placed on half-time for the duration of the summer. Management is currently assessing long term financial impact on the organization and cash projections for the next five years. Management is continuing to work on revenue development during this period by focusing in on formatting its events around a phased reopening, targeted fundraising efforts and cost reduction.

REQUIRED SUPPLEMENTARY INFORMATION

Edmonds Public Facilities District
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2019
Last 10 Fiscal Years

		2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.006779%	0.006585%	0.006117%	0.005395%	0.005002%
Employer's proportionate share of the net pension liability	\$	260,675	294,088	290,256	289,737	261,651
Covered payroll	\$	965,643	900,485	832,051	661,838	583,133
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	26.99%	32.66%	34.88%	43.78%	44.87%
Plan fiduciary net position as a percentage of the total pension liability	%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

These schedules will be built until they contain 10 years of data

There were no changes of benefits terms for the pension plan

There were no changes of assumptions for the pension plan

Edmonds Public Facilities District
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2019
Last 10 Fiscal Years

		2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.008757%	0.008426%	0.008208%	0.006905%	0.006463%
Employer's proportionate share of the net pension liability	\$	85,060	143,866	285,189	347,661	230,927
Covered payroll	\$	965,643	900,485	832,051	661,838	583,133
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	8.81%	15.98%	34.28%	52.53%	39.60%
Plan fiduciary net position as a percentage of the total pension liability	%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

These schedules will be built until they contain 10 years of data

There were no changes of benefits terms for the pension plan

There were no changes of assumptions for the pension plan

REQUIRED SUPPLEMENTARY INFORMATION

Edmonds Public Facilities District Schedule of Employer Contributions PERS 1 For the year ended December 31, 2019 Last 10 Fiscal Years*

		2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	54,012	46,231	41,117	34,540	26,654
Contributions in relation to the statutorily or contractually required contributions	\$	54,012	46,231	41,117	34,540	26,654
Contribution deficiency (excess)	\$	0	0	0	0	0
Covered payroll	\$	1,093,650	913,402	900,087	724,116	597,937
Contributions as a percentage of covered payroll	%	-4.94%	-5.06%	-4.57%	-4.77%	-4.46%

Notes to Schedule:

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

**Edmonds Public Facilities District
Schedule of Employer Contributions
PERS 2/3
For the year ended December 31, 2019
Last 10 Fiscal Years***

		2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$	84,504	68,500	59,684	45,112	34,212
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$	84,504	68,500	59,684	45,112	34,212
<u>Contribution deficiency (excess)</u>	\$	0	0	0	0	0
<u>Covered payroll</u>	\$	1,093,650	913,402	900,087	724,116	597,937
<u>Contributions as a percentage of covered payroll</u>	%	-7.73%	-7.50%	-6.63%	-6.23%	-5.72%

Notes to Schedule:

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

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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