



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Everett

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

Published December 28, 2020

Report No. 1027465





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

December 28, 2020

Mayor and City Council
City of Everett
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
97.044	Assistance to Firefighters Grant

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Everett

January 1, 2019 through December 31, 2019

2019-001 The City's internal controls over financial preparation were not adequate to ensure accurate financial reporting.

Background

City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP). Our audit identified a material weakness in internal controls over financial reporting that caused errors in the City's financial statements.

Government Auditing Standards requires the auditor to communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

Governmental and proprietary fund financial statements focus on major funds. Under GAAP reporting requirements, major funds are presented individually and non-major funds are reported in aggregate. Accounting standards provide a quantitative threshold for identifying which funds must be reported as major.

The City prepared a calculation to determine its major funds. However, the other financing uses and sources information was inappropriately included.

We consider this deficiency to be a material weakness.

Cause of Condition

The City's review process during financial statement preparation was not sufficient to detect whether major funds were properly reported.

Effect of Condition

Our audit found the City's financial statements omitted the Emergency Medical Services Fund as a major fund from the presentation of the government funds financial statements. This error has been corrected.

Recommendation

We recommend the City improve internal controls over financial statement review processes to ensure it accurately reports major funds, and identifies and promptly corrects any errors in major fund calculations.

City's Response

The City of Everett concurs with the deficiencies identified by the Washington State Auditor's Office. The City has taken steps to improve its financial reporting process.

The Finance staff is current on all recently issued GASB statements. However, in calculating the major funds, the Finance staff relied on the template created when Statement No. 34 was implemented in 2001. The template lists the major fund criteria but did not contain detailed instructions on calculation method. Until 2019, the fund balances of the four major funds were so significantly greater than the other funds that other financing sources and uses didn't impact the outcome of the calculations. The template and calculation procedure have now been updated.

The City understands its responsibility to have adequate procedures in place for the preparation and review of the financial statements. We thank the Washington State Audit staff for their support as the City continues to improve its financial reporting process.

Auditor's Remarks

We appreciate the steps the City has taken to resolve this issue and will review the condition during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting.

The *Budgeting, Accounting and Reporting Systems (BARS)* manual –Accounting Principles and General Procedures, Internal Control

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing

Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Governmental Accounting Standards Board, Statement No. 34, paragraph 75-76.

Auditing and Accounting Guides (AICPA), State and Local Governments, Chapter 16 – Audit Reporting, paragraph 53.

**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 Everett
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Everett
Everett, 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, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Everett, 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 July 30, 2020.

As discussed in Note 19 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying

Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be material weaknesses.

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*. However, we noted certain matters that we will report to the management of the City in a separate special investigation report dated December 15, 2020.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 style with a large, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

July 30, 2020

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

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

Mayor and City Council
City of Everett
Everett, Washington

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

We have audited the compliance of the City of Everett, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

December 15, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council
City of Everett
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Everett, 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 19.

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, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Everett, 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 19 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. 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 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

July 30, 2020

FINANCIAL SECTION

City of Everett 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

Governmental Funds Balance Sheet – 2019

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

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

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance 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 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 Balances – Budget and Actual General Fund – 2019

Notes to Budgetary Comparison Schedule – 2019

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Emergency Medical Services Fund – 2019

Schedule of Changes in the City's Net Pension Liability and Related Ratios – Fire and Police Pension Plans – 2019

Schedule of Employer Contributions – Fire and Police Pension Plans – 2019

Schedule of Investment Returns – Fire and Police Pension Plans – 2019

Schedule of Proportionate Share of 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 the City’s Net OPEB Liability and Related Ratios – Fire and Police
OPEB Plans – 2019

Schedule of Employer Contributions – Fire and Police OPEB Plans – 2019

Schedule of Investment Returns – Fire and Police OPEB Plans – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Everett's annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to review the City's financial performance as a whole. Please read it in conjunction with the Letter of Transmittal, the Financial Statements, and the Notes to the Financial Statements.

2019 FINANCIAL HIGHLIGHTS

- At December 31, 2019, the City's net position, the amount by which total assets and deferred outflows exceed total liabilities and deferred inflows, totaled \$1 billion. Of this amount, \$828 million, or 80%, is invested in capital assets that support the activities of the City. Of the remaining net position, \$118.5 million is unrestricted and may be used to meet the City's ongoing obligations.
- The net position of governmental activities is \$462 million, an increase of \$27 million, or 6% from 2018. The increase is due in large part to significant investment in capital assets and an increase in revenues from property taxes, investment earnings, and grants.
- The net position of business-type activities is \$570.2 million, which represents an increase of \$40 million, or 7.5% over 2018. Growth is due primarily to significant investment in capital assets supported by grants and capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The minimum requirements of the City's annual financial report include the Management's Discussion and Analysis (MD&A), the basic financial statements, and required supplementary information. This discussion and analysis provides an overview of the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

In addition to the required components, the City's annual report includes other voluntary supplementary information. The additional supplementary information includes a section with combining statements that provides details about the City's non-major funds and internal service funds -- all of which are added together and presented in single columns in the basic financial statements.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. They provide both short-term and long-term information about the City's financial status as a whole.

The government-wide statements distinguish between functions of the City that are principally supported by taxes (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The City also includes the Everett Public Facilities District (EPFD) as a discretely presented component unit in its report. A component unit is a governmental unit over which the City can exercise influence and/or may be obligated to provide a financial subsidy. The EPFD is presented in a separate column in the government-wide statements. This presentation allows users of the government-wide financial statements to focus on the primary government as well as address the City's relative relationship with the EPFD.

The Statement of Net Position presents information on all of the City's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference between assets and outflows minus liabilities and inflows reported as net position. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Net position serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information on the net cost of each governmental and business-type activity as well as information on how the government's net position changed during the fiscal year. This statement also separates program revenue (revenue generated by specific activities through charges for services, grants, and contributions) from

general revenue (revenue provided by taxes and other sources not tied to a particular activity). By separating program revenue from general revenue, users of the financial statements can identify the extent to which each activity relies on taxes for funding.

All changes in net position are reported using the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. The accrual basis of accounting requires that revenues are reported when earned and expenses are reported when incurred, regardless of the timing of when cash is received or paid. For instance, uncollected taxes and unpaid vendor invoices for items received in the current fiscal year are included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until future fiscal periods.

FUND FINANCIAL STATEMENTS

While the government-wide statements look at the City as a whole and focus on types of activities (general government versus business-type activities), the fund financial statements provide a more detailed look at the City's individual major funds and combined fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses funds to ensure and demonstrate fiscal accountability and compliance with finance-related legal requirements. The City's funds fall into three types: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for most of the City's tax-supported activities and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more, or less, financial resources that can be spent in the near future to finance City services. Approximately 16.5% of total governmental fund balance is considered nonspendable and not available to finance City services in the near future. Nonspendable balances consist mainly of loans receivable from the component unit, Everett Public Facilities District.

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, Bond Redemption Fund, and Emergency Medical Services Fund. These are the City's major governmental funds. Data from the remaining governmental funds are combined and presented in a single, aggregated column in the fund statements. Individual fund data for each of the non-major governmental funds is provided as combining statements following the basic financial statements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives the reader a better understanding of the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to the governmental activities column in the government-wide statements to facilitate this comparison.

The City maintains budgetary controls over its governmental funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. General Fund and Emergency Medical Services Fund budget variances are presented as required supplementary information following the notes to the financial statements and reviewed later in this discussion and analysis.

Proprietary funds are used to account for the City's business-type activities where all, or part, of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. The fund level statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the total assets and total liabilities between the two statements, you will notice only slight differences. One notable difference is that the "due from other funds" (asset) and the "due to other funds" (liability) are combined in a single line called "Internal balances" in the assets section of the government-wide Statement of Net Position.

The City reports two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to various City departments and to accumulate and allocate the associated costs of providing these supplies and services to the various functions. The

revenues and expenses of internal service funds that are duplicated in other funds are eliminated in the government-wide statements. The net difference between revenues and expenses is allocated to other funds and becomes the only reconciling item between government-wide financial statements and Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position. Because the internal service funds primarily benefit governmental, rather than business-type activities, the internal service funds are aggregated and included within governmental activities in the government-wide Statement of Net Position.

The Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position present separate columns of financial data for the Water and Sewer Utility Fund and the Transit Fund. These are the City's major enterprise funds. Data from the remaining enterprise funds are combined and presented in a single, aggregated column in the fund statements. Individual fund data for each of the non-major enterprise funds, as well as the internal service funds, are provided in combining statements following the basic financial statements.

Fiduciary Funds are used to account for resources held by the City in a trustee capacity, or as an agent for outside individuals or private organizations. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own operations. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position as part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

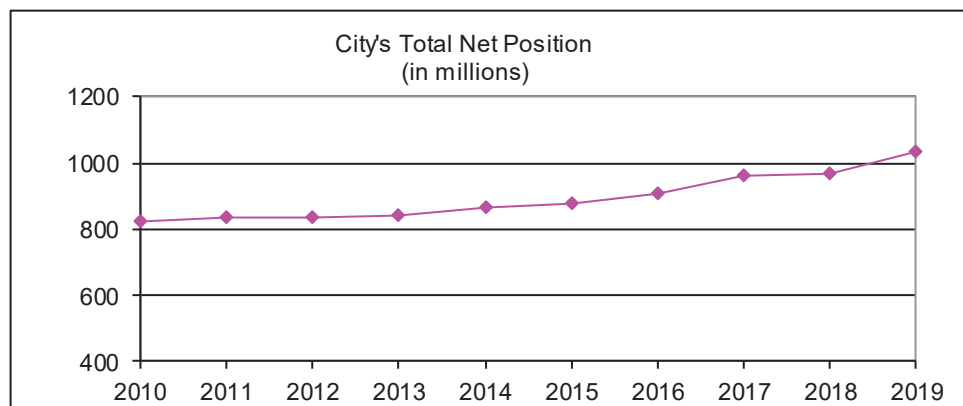
OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report contains certain required supplementary information concerning the City's Fire and Police Pension Funds and Other Post Employment Benefit Funds. Information is also provided for the City's participation in state retirement plans.

The combining statements referred to earlier for non-major governmental and enterprise funds, as well as internal services funds, are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, changes in net position over time may serve as a useful indicator of a government's financial position. The City's total net position at December 31, 2018, was \$965 million. At December 31, 2019, the total net position was \$1 billion. As the following chart illustrates, the City's net position was relatively unchanged from 2010 through 2013, grew moderately through 2017, remained stable in 2018 and showed increased growth in 2019.



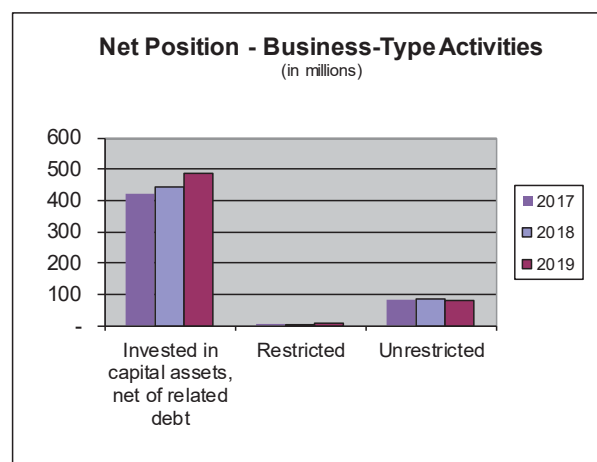
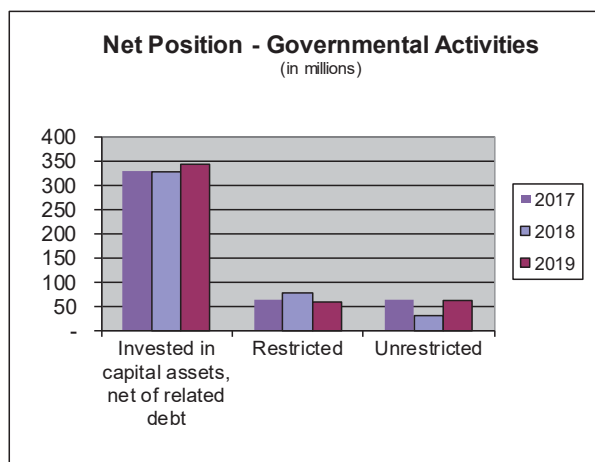
Elements contributing to the change in net position are discussed in the Governmental and Business-Type Activities Analysis sections. The following table presents a condensed version of the Government-Wide Statement of Net Position.

Table 1
City of Everett's Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 251,342	\$ 236,064	\$ 107,563	\$ 112,158	\$ 358,905	\$ 348,222
Capital assets, net	359,452	345,165	674,500	646,400	1,033,952	991,565
Total assets	610,794	581,229	782,063	758,558	1,392,857	1,339,787
Total deferred outflows of resources	8,448	7,472	9,574	10,041	18,022	17,513
Long-term liabilities	128,950	128,698	207,699	225,791	336,649	354,489
Other liabilities	9,174	8,388	7,397	6,842	16,571	15,230
Total liabilities	138,124	137,086	215,096	232,633	353,220	369,719
Total deferred inflows of resources	18,807	16,704	6,339	5,838	25,146	22,542
Net position						
Net investment in capital assets	343,064	327,692	484,898	443,956	827,962	771,648
Restricted	56,942	78,456	4,691	2,915	61,633	81,371
Unrestricted	62,305	28,764	80,613	83,257	142,918	112,021
Total net position	\$ 462,311	\$ 434,912	\$ 570,202	\$ 530,128	\$ 1,032,513	\$ 965,040

As depicted in the charts below, the majority of the City's net position is invested in capital assets, which are used to provide services to citizens. Capital assets include streets, water/sewer lines and related utilities infrastructure, land, buildings, equipment, etc., less any related outstanding debt used to acquire those assets. It should be noted that, although the investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets represent resources that are subject to external restrictions on how they may be used. The Statement of Net Position further breaks out restricted assets into major categories. For example, \$10 million in assets obtained through criminal justice funding are restricted to public safety use. The 2019 year-end unrestricted net position of \$62 million in governmental activities and \$80 million in business-type activities may be used to meet ongoing obligations.



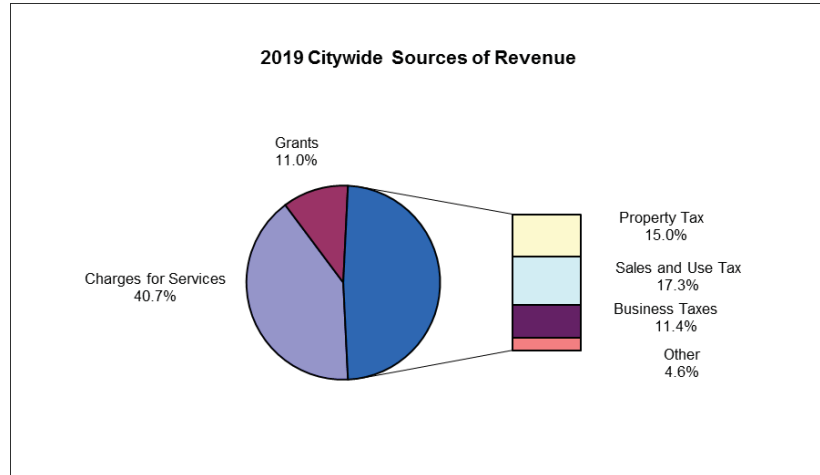
At December 31, 2019, the City reported positive balances in all three categories of net position for both governmental and business-type activities. The same situation has held true for the past ten years.

The following table contains condensed financial information derived from the government-wide statement of activities comparing the current year to the prior year.

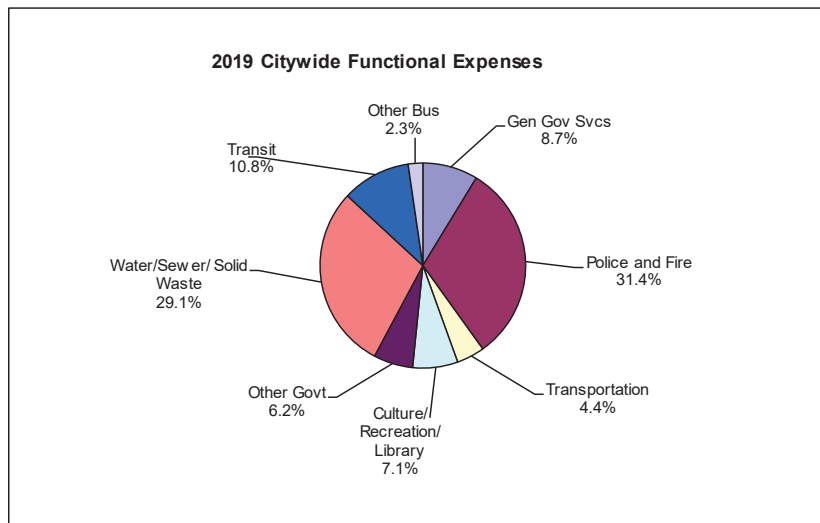
Table 2
City of Everett's Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 20,118	\$ 16,580	\$ 106,280	\$ 104,766	\$ 126,398	\$ 121,346
Operating grants and contributions	9,221	4,864	2,103	2,304	11,324	7,168
Capital grants and contributions	9,363	1,396	13,597	4,958	22,960	6,354
General revenues:						
Property taxes	46,897	43,436	-	-	46,897	43,436
Sales taxes	33,227	32,501	20,802	20,170	54,029	52,671
Business taxes	35,584	35,491	94	81	35,678	35,572
Other taxes	14,411	14,909	-	-	14,411	14,909
Sale of assets	1,635	128	90	90	1,725	218
Interest and investment earnings	4,235	3,048	3,186	2,341	7,421	5,389
TOTAL REVENUES	\$ 174,691	\$ 152,353	\$ 146,152	\$ 134,710	\$ 320,843	\$ 287,063
Program Expenses						
Governmental activities:						
General government services	\$ 21,923	\$ 24,495	\$ -	\$ -	\$ 21,923	\$ 24,495
Police	45,743	39,223	-	-	45,743	39,223
Fire	34,992	31,526	-	-	34,992	31,526
Engineering & construction services	5,764	5,702	-	-	5,764	5,702
Transportation	11,398	11,017	-	-	11,398	11,017
Community services	5,839	3,796	-	-	5,839	3,796
Library	4,753	4,269	-	-	4,753	4,269
Culture and recreation	13,574	13,535	-	-	13,574	13,535
Judicial	2,315	2,155	-	-	2,315	2,155
Social services	1,217	1,226	-	-	1,217	1,226
Interest on long-term debt	863	860	-	-	863	860
Business-type activities:						
Water	-	-	33,899	34,465	33,899	34,465
Sewer	-	-	40,361	37,068	40,361	37,068
Solid waste	-	-	995	636	995	636
Parking	-	-	1,631	312	1,631	312
Transit	-	-	27,792	26,457	27,792	26,457
Golf	-	-	4,286	4,281	4,286	4,281
TOTAL EXPENSES	\$ 148,381	\$ 137,804	\$ 108,964	\$ 103,219	\$ 257,345	\$ 241,023
Increases (decreases) in net position before special items and transfers	\$ 26,310	\$ 14,549	\$ 37,188	\$ 31,491	\$ 63,498	\$ 46,040
Special Item	(3,970)	-	-	-	(3,970)	-
Transfers	5,059	5,698	(5,059)	(5,698)	-	-
Increase in net position	\$ 27,399	\$ 20,247	\$ 32,129	\$ 25,793	\$ 59,528	\$ 46,040
Net position - beginning	434,912	456,375	530,128	504,335	965,040	960,710
Prior period adjustment	-	(41,710)	7,945	-	7,945	(41,710)
Net position - ending	\$ 462,311	\$ 434,912	\$ 570,202	\$ 530,128	\$ 1,032,513	\$ 965,040

As shown in the following chart, taxes made up 48.3% of total revenue received by the City as a whole in 2019, excluding sale of assets and interest earnings. Total tax revenues increased by \$4.4 million, mostly due to increases in property taxes suggesting growth in population and new construction, and in sales taxes which suggests stability in the overall economy. Of the 40.7% in charges for services, 84% is from business-type activities.



The following chart compares the functional expenses of the City. The largest expense is the combined police/fire safety function, making up over 31% of the City's total expenses. A close second is the combined water/sewer/solid waste functions making up over 29% of total expenses. These functions combined make up over 60% of the functional expenses of the City.

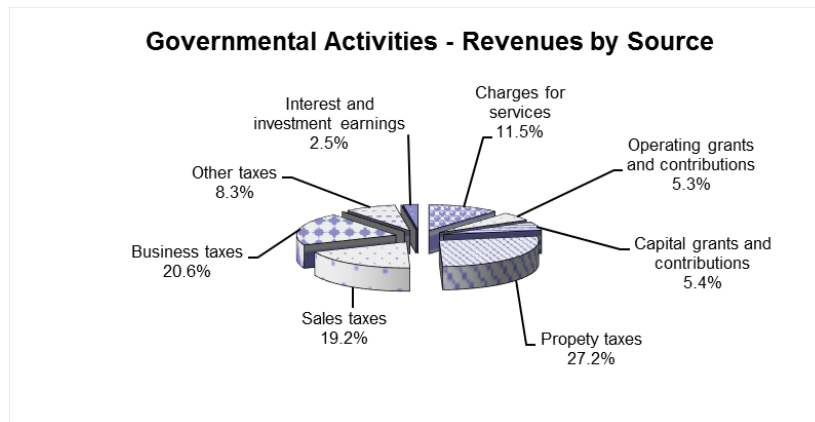


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, total expenses for all governmental activities in 2019 were \$148.4 million. Of this amount, \$38.7 million was paid for 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 \$109.7 million was the cost of governmental activity services paid primarily by City taxpayers.

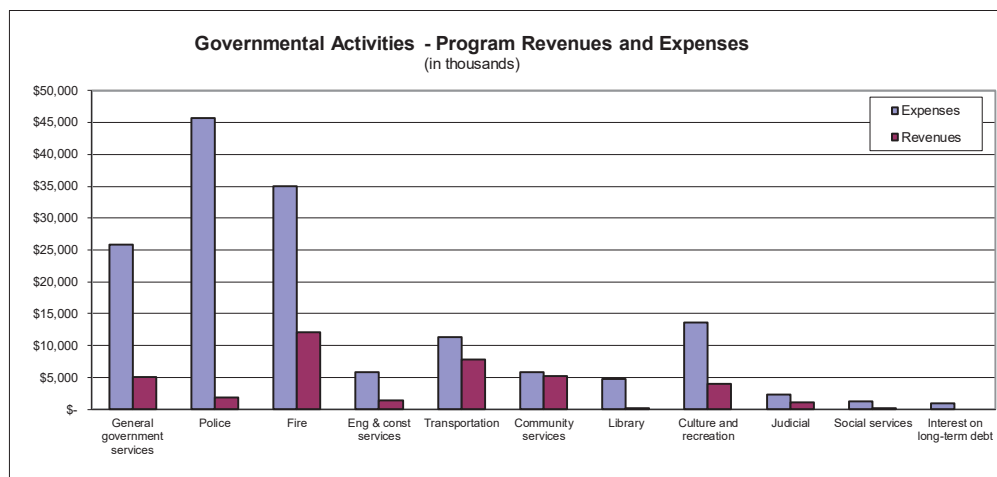
Revenues

Total governmental activity revenues (excluding transfers and sale of assets) increased \$20.8 million, due to an increase in several sources: property taxes increased \$3.5 million over 2018 due to an increase in the EMS levy rate, the 1% annual increase in total levy, and the addition of new construction to the taxable base; interest earnings increased \$1.2 million because of continuing improvement in the investment market; sales and business tax revenues increased \$0.8 million. The increase in these revenue sources suggests an improving economic environment. In support of the major capital projects listed later in this discussion and analysis, grant and capital contribution revenues increased \$12.3 million. Charges for services increased \$3.5 million due mainly to the receipt of retroactive GEMT transport fees in the Fire activity.



Expenses

Total governmental activity expenses for 2019 were \$148.4 million, an increase of \$10.6 million from 2018. Police and Fire activities account for 54.4% of governmental activity expenses and account for 94% of the increase. A combination of increase in community services and decrease in general government services accounts for the remaining 6%. The largest contributor to the increase in governmental activity was the change in pension assets, liabilities, and deferred inflows and outflows of the state sponsored pension plans as well as the City's single-employer pension and OPEB plans. Expense changes in the state plan depend on the City's allocation percentage of the state plans which is based on the amount of employer contributions. The change in expense for the Police and Fire pension and OPEB plans, which are presented as fiduciary trust funds in the basic financial statements, depends on actuarial analysis. Changes in net pension expense can vary significantly from year-to-year due to changes in assumptions in determining liability and expense. Another contributing factor is an increase in wages arising from COLA adjustments of between 2.5% - 3% and increased net FTE in Fire and Police from filling vacant positions.

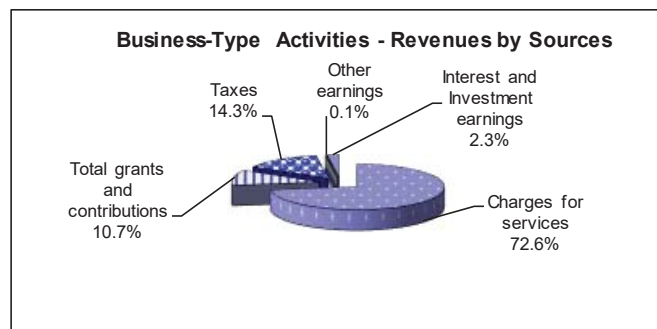


BUSINESS-TYPE ACTIVITIES ANALYSIS

In 2019, program revenues provided \$122 million to cover \$109 million in business-type activity expenses, providing a net gain of \$13 million.

Revenues

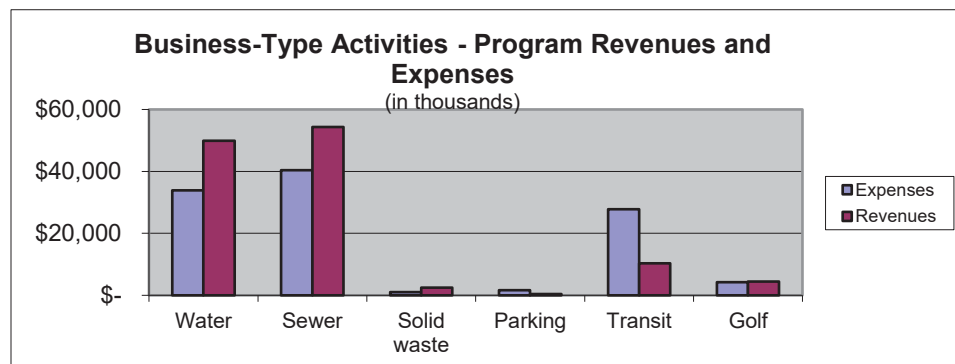
Total business-type revenues increased \$11.4 million from the prior year. As shown in the following chart, the majority of business-type activity revenue is from charges for services, which grew by \$1.5 million from 2018 due mainly to a rate increase implemented to address the City's water and sewer utility capital replacement and improvement programs and inflation-based cost increases in operations and maintenance, as well as an increase in bus fare in Transit. Interest earnings increased \$0.8 million due to an improving investment market. These increases were enhanced by a \$8.6 million increase in grants and capital contributions arising from the acceptance of the City's segment share of the Kimberley-Clark deep water outfall. See Note 19 for more information on this acquisition by the Sewer function. Grant and capital contribution revenue can fluctuate widely from year to year based on a number of factors, including the availability of federal and state grants, whether the City has applied for and received grant awards, and whether the City has major capital projects in progress. Sales tax growth of 3% indicates continuing consumer confidence and a strengthening business climate.



Expenses

Total business-type expenses for 2019 were \$109 million, an increase of \$5.7 million from 2018. The increase is shared by the combined water/sewer function due to major maintenance and repair programs related to the rate increases implemented in 2016 – 2019, the transit function related to an increase in the allocation of GASB 68 expense arising from the state retirement plans, and a major repair project in the parking fund.

The chart below depicts the revenues and expenses for each of the City's business-type programs. As shown, Water, Sewer, Solid Waste, and Golf each generated enough program revenue (primarily user fees) to cover operating costs, while Transit and Parking did not. These activities are discussed in more detail in the Business-type Funds Analysis section.



FUND-LEVEL FINANCIAL ANALYSIS

GOVERNMENTAL FUNDS

As discussed previously, governmental funds are reported in the fund statements with a short-term, spendable resources focus. This information is useful in assessing whether resources available at year-end are adequate to cover upcoming financing requirements.

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five components of fund balance are as follows:

- Non-spendable fund balance - examples are inventory and prepaid items.
- Restricted fund balance: externally enforceable legal restrictions such as those related to traffic mitigation revenue and grant receipts.
- Committed fund balance: funds that can only be used for purposes pursuant to constraints imposed by formal action of the City Council.
- Assigned fund balance: amounts that reflect the City's intended use of resources in the special revenue, capital projects, and debt service funds.
- Unassigned fund balance: residual net resources that are not properly classified in one of the above four categories.

At year-end, the governmental funds reported a combined ending fund balance of \$171 million. This is a \$7 million increase from the prior year-end. The increase is due to improvement in the local economy, which positively influenced tax revenues--property tax and sales tax in particular.

Approximately 58.4% of the total ending fund balance of governmental funds is classified as either assigned or unassigned, which means the funds are available for spending at the City's discretion.

General Fund – The general fund is the City's primary operating fund and the largest funding source for day-to-day service delivery. As a result of the requirements established by GASB Statement No. 54, several funds previously classified as special revenue funds are now combined in reporting with the general fund. Without the consolidation, the general fund balance increased by \$3.4 million or 5.25%. The increase was mostly due to increased tax revenues and charges for services as well as transfers in offset by an increase in expenses in general government services and security.

Bond Redemption Fund – This major governmental fund is reported as a debt service fund because it receives funding sources that are assigned to the redemption of capital debt. This fund reports a fund balance of zero as other financing sources are used for debt service payments, all within the current year. As the name indicates, this fund accumulates cash to pay for debt service which varies from year to year depending on the receipt of refunding debt proceeds and the requirements of redeeming current period principal and interest. This fund received \$24.4 million in refunding debt proceeds and \$3 million transfers in to refund \$25.6 million in general obligation bonds as well as \$1.7 million in principal and interest of outstanding debt. See Note 12 for additional information.

Emergency Medical Services Fund – This is a special revenue fund, receiving over 50% of its revenue from a dedicated property tax which generated \$9.2 million in 2019. Another 36% of revenue, or \$6.5 million was from the GEMT payment program, which is a federal program other than grants, and 11.6% was charges for services of \$2.1 million from transport and contract ambulance services. The GEMT program was initiated in 2019 and payments received of \$4.7 million were retroactive for the years 2016-2018.

Other Governmental Funds – Total fund balance for other governmental funds decreased by \$1.9 million, primarily due to the re-categorization of major funds. The capital improvement reserve fund which is included in nonmajor funds in 2019 was presented as a major fund in 2018, and the emergency medical services fund moved from a nonmajor fund in 2018 to a major fund in 2019. Before these re-categorizations, other governmental funds balance increased \$3.6 million, mostly in capital project funds other than the capital reserve fund. Capital projects funds received \$4.6

million in grants revenue and \$14.3 million in transfers more than in 2018 and expended \$16.1 million more in capital projects. See the major projects section later in this discussion and analysis.

BUSINESS-TYPE FUNDS

Water/Sewer Utility Fund – This fund is the largest business-type fund in the City, accounting for \$502.2 million, or 88%, of the business-type net position. Of this amount, \$416.3 million is invested in capital assets, \$4.7 million is classified as restricted for debt service, and \$81.2 million is classified as unrestricted. The fund's 2019 net income, before contributions and transfers, was \$26.8 million, which is an increase of 1% over 2018. The Utility has the ability to set rates to cover anticipated operating as well as capital project costs. The increase in investment in capital assets of \$38 million was a result of the completion of many capital projects (see the following section of Capital Assets – Major business-type capital investments) and the assumption of control of a shared outfall infrastructure of \$7.9 million (see Note 19 – PPA).

Transit Fund – This is the City's other major business-type fund. It reported a \$22.8 million operating loss in 2019 (before non-operating revenues and capital contributions). The loss was reduced by the voter approved 0.6% sales tax, which is dedicated for transit purposes. Total sales tax collections in 2019 totaled \$20.8 million, an increase of \$0.6 million over 2018. Sales taxes are not considered operating revenue in business-type funds because they are collected from the general public and are not user-based. A combination of sales tax and operating grants of \$2 million covered the operating loss.

Other Business-type Funds – The Golf Fund reported a net revenue of \$255,280 compared to net revenue of \$106,493 in 2018. Management continues to implement elements of its business plan to increase revenues and decrease expenses. The Solid Waste Fund balance increased \$1.6 million from 2018, largely due to an increase in charges for services linked to increased rates in Utilities as well as decreased operating expenses. The Parking Garage Fund continues to cover expenses with parking fees and interest revenue. A net decrease of \$830,632 in net position was due to a major repair project of \$1.2 million financed with available cash reserves. The project, although significant in cost, did not increase capacity nor extend the life of the facility and was therefore expensed.

GENERAL FUND BUDGETARY HIGHLIGHTS

2019 Original budget compared to final budget

The final General Fund revenue budget, including transfers in and other sources, was \$1,312,642, or 1.1% greater than the original budget. The majority of the increase was in the Property Tax and Federal Revenue categories. Property tax was increased by \$234,562 for new construction added to the tax rolls and Federal Revenue was increased by \$909,400 for Ground Emergency Medical Transportation (GEMT) revenue received after the original budget was prepared.

The final expenditure budget, including transfers out and other uses, was \$2,090,468 or 1.8% greater than the original budget. This included \$972,522 in re-appropriations from the 2018 budget for projects approved in 2018 but not completed prior to year-end and \$909,400 in transfers to capital improvement funds for fire station improvements.

2019 Actual results compared to final budget

General Fund revenue, including transfers in and other sources, exceeded the final amended budget by \$1,732,593 or 1.5%. Positive performance in retail sales & use taxes, federal revenue from the GEMT program, and construction related fees offset shortfalls in business tax revenues.

Expenditures, including transfers out and other sources and special items, ended the year \$433,388 or 0.4% under the final amended budget. An unbudgeted special item in the amount of \$4 million was offset by labor savings from vacant positions throughout the year totaling \$3.6 million, and minor under-expenditures in general maintenance and operations costs. The special item related to the premium allocation from the sale of the 2019 Limited Tax General Obligation (LTGO) bonds which, in part, reduced the receivable from the Everett Public Facilities District. Note 19 offers more detail on this transaction.

General Fund Budget-to-Actual							
	Original	Final	Actuals	Change from Original to Final	Change Percent	Change from Final to Actual	Change Percent
Revenue	108,830,314	110,132,956	111,750,019	1,302,642	1.2%	1,617,063	1.5%
Transfers In and Other Sources	9,107,914	9,117,914	9,233,444	10,000	0.1%	115,530	1.3%
	<u>117,938,228</u>	<u>119,250,870</u>	<u>120,983,463</u>	<u>1,312,642</u>	<u>1.1%</u>	<u>1,732,593</u>	<u>1.5%</u>
Expenditures	111,892,070	113,073,138	108,663,663	(1,181,068)	1.1%	4,409,475	-3.9%
Transfers Out and Other Uses	3,996,158	4,905,558	4,911,568	(909,400)	22.8%	(6,010)	0.1%
Special Item	-	-	3,970,077	-		(3,970,077)	
	<u>115,888,228</u>	<u>117,978,696</u>	<u>117,545,308</u>	<u>(2,090,468)</u>	<u>1.8%</u>	<u>433,388</u>	<u>-0.4%</u>
NET CHANGE	2,050,000	1,272,174	3,438,155	3,403,110		1,299,205	

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of December 31, 2019, the City of Everett's investment in capital assets, including construction in progress, for its governmental and business-type activities amounted to \$1 billion. The year-end balance represents a net increase (additions less retirements and depreciation) of \$34.4 million from the end of the prior year.

Table 3
City of Everett's Capital Assets
(net of accumulated depreciation)
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Land	\$ 59,932	\$ 60,410	\$ 45,415	\$ 37,983	\$ 105,347	\$ 98,393
Buildings	62,020	58,136	152,772	157,647	214,792	215,783
Improvements other than buildings	17,172	18,018	410,559	401,588	427,731	419,606
Infrastructure	185,840	188,917	4,232	1,447	190,072	190,364
Machinery and equipment	18,517	14,792	21,021	18,902	39,538	33,694
Intangibles	174	207	8,908	9,166	9,082	9,373
Construction in progress	15,797	4,685	31,594	27,613	47,391	32,298
	<u>\$ 359,452</u>	<u>\$ 345,165</u>	<u>\$ 674,501</u>	<u>\$ 654,346</u>	<u>\$ 1,033,953</u>	<u>\$ 999,511</u>

Major governmental capital asset investments for the year included (in millions):

- Downtown Streetscape \$ 6.1
- Library South Everett branch expansion 5.8
- Vehicle replacement 5.1
- Phil Johnson ballfields renovation 3.7

Major business-type capital asset investments for the year included (in millions):

- Water pollution control facility upgrades \$ 7.4
- Sewer replacement project 6.0
- Port Gardner CSO storage upgrades 5.7
- Water main replacements 4.7
- Vehicle replacements 4.4
- Grand Avenue Park bridge 3.9
- Northwest stormwater separation 3.2
- North Broadway roadway improvements 1.9
- Biosolids application site 1.2

Additional information about the City of Everett's capital assets can be found in Note 6 to the financial statements.

DEBT ADMINISTRATION

As shown in the table below, the City's total outstanding debt at December 31, 2019 was \$212.9 million. Of this amount, \$29.2 million is bonded debt backed by the full faith and credit of the City, \$159.3 million is bonded debt secured solely by water and sewer user fees, and \$23.4 million is in direct borrowings consisting mainly of Public Works Trust Fund and State Revolving Fund loans. The remaining \$1 million is a tax-exempt installment loan to replace city street lights with LED lighting.

The City's total debt outstanding decreased by a net amount (new issues less principal payments and advance refundings of \$18.3 million from the prior year-end. The major debt transactions that contributed to this change are detailed below.

- The City issued \$20 million of general obligation refunding debt
- The City redeemed \$26.4 million of general obligation debt by advance refunding
- The City redeemed \$1 million of principal of general obligation bonds
- The City redeemed \$7.7 million of principal of revenue bonds
- The City redeemed \$3.2 million of principal of direct borrowings

Table 4
City of Everett's Outstanding Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 29,230	\$ 35,590	\$ -	\$ 1,000	\$ 29,230	\$ 36,590
Revenue debt	-	-	159,275	167,020	159,275	167,020
Direct Borrowings	1,214	1,349	23,137	26,230	24,351	27,579
	<u>\$ 30,444</u>	<u>\$ 36,939</u>	<u>\$ 182,412</u>	<u>\$ 194,250</u>	<u>\$ 212,856</u>	<u>\$ 231,189</u>

The City practices conservative fiscal policy and adheres to the fund balance policy instituted in 2004. This helps the City maintain high credit ratings to assist in obtaining financing at the lowest possible cost. The City's bond rating, according to Standard & Poor's, is AA+ for both its general obligation and revenue debt.

Additional details about the City's long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Principal factors influencing the City's original 2020 budget included: moderate income from retail sales and business revenues stemming from stability in the regional economy, and property tax revenue growth limited to 1% on the base, plus adjustments for new construction and annexations.

Other economic factors considered when preparing the City's 2020 budget included:

- Economic activity was expected to be moderate.
- Population is expected to increase by 1% in 2020.
- The inflation rate (as measured by the June-to-June Seattle/Urban Consumer Price Index) is expected to remain low. The rate used for factors affecting the 2020 budget was 2.7%.
- Interest rates were expected to increase slightly through 2019. Expectations are for the Federal Reserve to continue to move slowly to remove accommodation from its monetary policy.

Specific steps taken to balance the 2019 budget include: labor savings associated with a voluntary separation program that eliminated seven FTEs, cost-of-living and retirement increases coming in less than the original forecast, the

implementation of a new, high-deductible health plan option, and prepaying reserve contributions from prior year carryforwards.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, creditors, investors, and other interested parties with a general overview of the City's finances and to show the City's accountability for the financial resources it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Department at 2930 Wetmore Avenue, Suite 9H, Everett, WA 98201.



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**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EVERETT PUBLIC FACILITIES DISTRICT
ASSETS				
Cash and cash equivalents	\$ 50,533,181	\$ 30,539,944	\$ 81,073,125	\$ 4,496,724
Deposits with trustees	57,323	346,569	403,892	-
Investments	95,658,039	62,392,987	158,051,026	-
Receivables, net	56,533,411	13,594,669	70,128,080	873,738
Internal balances	6,751,156	(6,751,156)	-	-
Inventories	719,784	1,177,763	1,897,547	-
Prepayments	656,718	145,083	801,801	266,066
Restricted:				
Cash and cash equivalents	-	3,084,587	3,084,587	1,398,776
Investments	-	2,355,982	2,355,982	-
Special assessments	96,699	2,520	99,219	-
Net pension assets	38,634,003	3,898	38,637,901	-
Investment in joint venture	1,701,261	669,332	2,370,593	-
Land	59,932,345	45,415,315	105,347,660	257,074
Construction in progress	15,797,033	31,594,457	47,391,490	-
Capital assets, net (Note 6)	283,722,614	597,490,694	881,213,308	34,973,944
TOTAL ASSETS	\$ 610,793,567	\$ 782,062,644	\$ 1,392,856,211	\$ 42,266,322
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ 6,920,746	\$ 6,920,746	\$ 76,581
Deferred outflow related to asset retirement obligatic	270,000	-	270,000	-
Deferred outflow s related to pensions	7,895,435	2,653,827	10,549,262	-
Deferred outflow s related OPEB	282,531	-	282,531	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 8,447,966	\$ 9,574,573	\$ 18,022,539	\$ 76,581
LIABILITIES				
Accounts payable and other current liabilities	\$ 9,004,935	\$ 6,713,347	\$ 15,718,282	\$ 1,148,549
Unearned revenues	168,761	683,536	852,297	2,397,820
Non-current liabilities (Note 12):				
Due within one year	15,803,307	13,879,645	29,682,952	585,000
Due in more than one year	50,976,649	184,760,229	235,736,878	40,426,895
Net Pension Liabilities	13,680,197	9,059,393	22,739,590	-
Net OPEB Liabilities	48,489,965	-	48,489,965	-
TOTAL LIABILITIES	\$ 138,123,814	\$ 215,096,150	\$ 353,219,964	\$ 44,558,264
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow s related to pensions	\$ 18,594,953	\$ 6,339,363	\$ 24,934,316	\$ -
Deferred inflow s related to OPEB	211,801	-	211,801	-
Deferred inflow s related to service agreements	-	-	-	56,250
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 18,806,754	\$ 6,339,363	\$ 25,146,117	\$ 56,250
NET POSITION				
Net Investment in capital assets	\$ 343,064,040	\$ 484,897,967	\$ 827,962,007	\$ (5,704,296)
Restricted for:				
Capital projects	1,828,744	-	1,828,744	-
Debt service	169,067	4,690,569	4,859,636	1,398,776
Public safety	10,709,009	-	10,709,009	-
Transportation	12,568,201	-	12,568,201	-
Parks and recreation	1,732,717	-	1,732,717	-
Community development projects	14,907,158	-	14,907,158	-
Library	115,388	-	115,388	-
Tourism	452,125	-	452,125	-
Economy	205,088	-	205,088	-
Related to pension	14,254,288	-	14,254,288	-
Unrestricted	62,305,140	80,613,168	142,918,308	2,033,909
TOTAL NET POSITION	\$ 462,310,965	\$ 570,201,704	\$ 1,032,512,669	\$ (2,271,611)

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(PAGE 1 OF 2)**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government services	\$ 21,922,493	\$ 4,927,866	\$ 42,017	\$ 41,558
Police	45,742,936	769,491	1,031,782	-
Fire	34,992,378	4,456,931	6,752,569	958,431
Engineering & construction services	5,764,391	1,404,099	-	-
Transportation	11,398,485	1,004,459	5,709	6,847,901
Community services	5,838,696	4,366,554	838,586	-
Library	4,752,639	63,015	82,232	365
Culture and recreation	13,573,610	1,962,919	449,999	1,514,918
Judicial	2,314,807	1,101,992	-	-
Social Services	1,216,671	60,632	17,676	-
Interest on long-term debt	863,446	-	-	-
Total governmental activities	148,380,552	20,117,958	9,220,570	9,363,173
Business-type activities:				
Water	33,899,379	47,705,236	-	2,208,930
Sewer	40,360,809	48,214,822	46,439	6,057,108
Solid waste	994,548	2,392,239	118,617	-
Parking	1,631,251	430,240	-	-
Transit	27,792,470	3,109,738	1,937,753	5,330,620
Golf	4,285,920	4,427,441	-	-
Total business-type activities	108,964,377	106,279,716	2,102,809	13,596,658
Total primary government	\$ 257,344,929	\$ 126,397,674	\$ 11,323,379	\$ 22,959,831
Component units:				
Everett Public Facilities District	\$ 10,619,185	\$ 8,068,537	\$ 3,202,736	\$ -
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Excise taxes				
Allocation of state-imposed taxes				
Sale of assets				
Interest and investment earnings				
Special items - see Note 19				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior Period Adjustment				
Net position - beginning, as restated				
Net position - ending				

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(PAGE 2 OF 2)**

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Everett Public Facilities District
\$ (16,911,052)	\$ -	\$ (16,911,052)	
(43,941,663)	-	(43,941,663)	
(22,824,447)	-	(22,824,447)	
(4,360,292)	-	(4,360,292)	
(3,540,416)	-	(3,540,416)	
(633,556)	-	(633,556)	
(4,607,027)	-	(4,607,027)	
(9,645,774)	-	(9,645,774)	
(1,212,815)	-	(1,212,815)	
(1,138,363)	-	(1,138,363)	
(863,446)	-	(863,446)	
(109,678,851)	-	(109,678,851)	
	-	16,014,787	
	-	13,957,560	
	-	1,516,308	
	-	(1,201,011)	
	-	(17,414,359)	
	-	141,521	
	-	13,014,806	
\$ (109,678,851)	\$ 13,014,806	\$ (96,664,045)	
			\$ 652,088
46,896,606	-	46,896,606	
33,227,298	20,802,068	54,029,366	
35,584,401	93,792	35,678,193	
9,566,933	-	9,566,933	
4,844,322	-	4,844,322	
1,634,505	90,224	1,724,729	
4,234,752	3,186,480	7,421,232	164,580
(3,970,077)	-	(3,970,077)	3,826,011
5,059,293	(5,059,293)	-	
137,078,033	19,113,271	156,191,304	3,990,591
27,399,182	32,128,077	59,527,259	4,642,679
434,911,783	530,127,755	965,039,538	(6,914,290)
-	7,945,872	7,945,872	
434,911,783	538,073,627	972,985,410	
\$ 462,310,965	\$ 570,201,704	\$ 1,032,512,669	\$ (2,271,611)

The accompanying notes are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	GENERAL FUND	BOND REDEMPTION FUND	EMREGENCY MEDICAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 18,879,364	\$ -	\$ 2,553,598	\$ 19,889,495	\$ 41,322,457
Change and imprest funds	50,165	-	-	-	50,165
Deposits with trustee	57,323	-	-	-	57,323
Investments	35,401,927	-	4,907,538	37,743,693	78,053,158
Receivables, net					
Taxes	12,201,730	-	-	1,801,096	14,002,826
Customer accounts	1,469,222	-	22,417	1,270,051	2,761,690
Interest	448,654	-	8,385	242,091	699,130
Interfund receivable	159,825	-	-	-	159,825
Due from other governmental units	174,047	-	-	3,828,651	4,002,698
Due from component unit	20,391,580	-	-	55,065	20,446,645
Prepayments	558,860	-	-	-	558,860
Special assessments - non-current	-	-	-	96,700	96,700
Notes/contracts receivable	1,140,000	-	-	13,487,350	14,627,350
Advances to other funds	6,134,168	-	-	-	6,134,168
TOTAL ASSETS	\$ 97,066,865	\$ -	\$ 7,491,938	\$ 78,414,192	\$ 182,972,995
LIABILITIES					
Wages payable	\$ 3,003,980	\$ -	\$ 351,838	\$ 45,033	\$ 3,400,851
Accounts payable	2,025,769	-	123,676	1,228,369	3,377,814
Interfund payable	-	-	-	159,825	159,825
Due to other governmental units	171,337	-	-	112,336	283,673
Taxes Payable	3,987	-	-	6,230	10,217
Custodial accounts	312,479	-	-	-	312,479
Revenues collected in advance	80,575	-	-	64,286	144,861
Other liabilities	693,420	-	-	3,767	697,187
TOTAL LIABILITIES	6,291,547	-	475,514	1,619,846	8,386,907
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues-property taxes	943,914	-	-	-	943,914
Unavailable revenues-special assessments	-	-	-	96,699	96,699
Unavailable revenues-other	2,419,803	-	-	27,838	2,447,641
TOTAL DEFERRED INFLOWS OF RESOURCES	3,363,717	-	-	124,537	3,488,254
FUND BALANCES					
Nonspendable	28,224,608	-	-	-	28,224,608
Restricted	-	-	-	42,687,497	42,687,497
Committed	168,339	-	-	-	168,339
Assigned	-	-	7,016,424	33,982,312	40,998,736
Unassigned	59,018,654	-	-	-	59,018,654
TOTAL FUND BALANCES	87,411,601	-	7,016,424	76,669,809	171,097,834
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 97,066,865	\$ -	\$ 7,491,938	\$ 78,414,192	\$ 182,972,995

The accompanying notes are an integral part of this statement.

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

Total Fund Balances reported on the Balance Sheet - Governmental Funds	\$ 171,097,834
Amounts reported for governmental activities in the Balance Sheet -	
Capital assets reported in the government-wide Statement of Net Position are not reported in the Balance Sheet - Governmental Funds	358,144,754
Net pension assets, liabilities, deferred outflows, and deferred inflows of the City's proportionate share of the State-sponsored retirement plans reported in the government-wide Statement of Net Position are not in the Balance Sheet - Governmental Funds	16,848,026
Assets and liabilities of internal service funds included in governmental activities in the government-wide Statement of Net Position are not reported in the Balance Sheet - Governmental Funds	11,650,407
Unearned revenues reported in the Balance Sheet - Governmental Funds not reported in the government-wide Statement of Net Position	3,464,353
Net investment in joint venture reported in the government-wide Statement of Net Position is not reported in the Balance Sheet - Governmental Funds	1,701,261
Accrued receivables reported in the government-wide Statement of Net Position are not reported in the Balance Sheet - Governmental Funds	665,000
Discount on notes receivable reported in the government-wide Statement of Net Position are not reported in the Balance Sheet - Governmental Funds	(1,012,261)
Accrued pollution remediation liability reported in the government-wide Statement of Net Position are not reported in the Balance Sheet - Governmental Funds	(3,349,457)
Net pension and net OPEB assets, liabilities, deferred outflows, and deferred inflows of the City's single-employer Fire and Police retirement plans are reported in the government-wide Statement of Net Position but not in the Balance Sheet - Governmental Funds	(47,555,785)
Long-term debt reported in the government-wide Statement of Net Position is not reported in the Balance Sheet - Governmental Funds	(49,343,167)
Total Net Position reported on the government-wide Statement of Net Position	<u>\$ 462,310,965</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	BOND REDEMPTION FUND	EMERGENCY MEDICAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 103,151,231	\$ -	\$ 9,191,390	\$ 11,960,217	\$ 124,302,838
Licenses and permits	4,260,119	-	-	-	4,260,119
Intergovernmental revenues	6,326,477	-	4,967,065	9,885,805	21,179,347
Charges for services	9,470,905	-	3,871,161	1,085,363	14,427,429
Fines and forfeits	1,244,439	-	-	4,887	1,249,326
Other revenues	3,679,151	-	16,160	3,946,404	7,641,715
Total revenues	128,132,322	-	18,045,776	26,882,676	173,060,774
EXPENDITURES					
Current:					
General government services	28,592,713	-	2,145	724,105	29,318,963
Security of persons and property	69,648,117	-	10,621,325	318,192	80,587,634
Transportation	4,186,226	-	-	2,946,660	7,132,886
Economic environment	5,851,835	-	-	1,247,609	7,099,444
Mental and physical health	1,476,409	-	-	-	1,476,409
Culture and recreation	13,721,992	-	-	1,298,867	15,020,859
Capital outlay	5,747,098	-	560,824	20,170,316	26,478,238
Debt service:					
Principal	-	26,430,000	-	134,732	26,564,732
Interest	-	937,985	8,024	34,610	980,619
Total Expenditures	129,224,390	27,367,985	11,192,318	26,875,091	194,659,784
Excess (deficiency) of revenues over (under) expenditures	(1,092,068)	(27,367,985)	6,853,458	7,585	(21,599,010)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	-	35,038	35,038
Premium	-	4,306,966	-	-	4,306,966
Issuance of refunding debt	-	20,070,000	-	-	20,070,000
Disposition of capital assets	727,828	-	1,677	905,000	1,634,505
Transfers in	10,345,935	2,991,019	-	23,305,298	36,642,252
Transfers out	(4,099,654)	-	-	(26,155,425)	(30,255,079)
Insurance recoveries	36,746	-	4,694	308	41,748
Total other financing sources (uses)	7,010,855	27,367,985	6,371	(1,909,781)	32,475,430
SPECIAL ITEM					
Loss from refunding financing	(3,970,077)	-	-	-	(3,970,077)
Net change in fund balances	1,948,710	-	6,859,829	(1,902,196)	6,906,343
Fund balances - beginning	85,462,891	-	156,595	78,572,005	164,191,491
FUND BALANCES - ENDING	\$ 87,411,601	\$ -	\$ 7,016,424	\$ 76,669,809	\$ 171,097,834

The accompanying notes are an integral part of this statement.

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

Net change in fund balances for total governmental funds reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 6,906,343
Expenditures and Changes in Fund Balances differ from amounts reported in the government-wide Statement of Activities by the following items:	
Governmental funds report capital outlays as expenditures. Government-wide statements establish capital outlays as assets and allocate the cost of depreciable assets over their estimated useful lives as depreciation expense. This item represents the amount by which capital outlay and acquisitions exceed depreciation expense in the current period.	15,626,463
Increase (decrease) in governmental pension expense as a result of the requirements of GASB 68.	6,917,332
Governmental funds report the proceeds from the issuance of long-term debt (e.g., bonds and leases) as revenues and the associated issuance costs as expense in the period the debt is issued. Government-wide statements report long-term debt as a liability and amortize issuance costs as expense over the life of the obligation. This item represents the net effect of these differences in the treatment of long-term debt and related items during the current period.	2,261,877
Internal service funds are used by management to charge the costs of fleet management, management information systems, self-insurance, employee health benefits, and telecommunications to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	900,675
Increase (decrease) to investment in joint venture reported in the government-wide statements during the current period.	237,917
Increase (decrease) to accrued receivables in the government-wide statements during the current period.	87,211
Increase (decrease) to non-current unearned revenue on the Balance Sheet - Governmental Funds during the current period.	32,351
Increase (decrease) to notes and interest receivable on the government-wide statements during the current period.	22,774
The (increase) decrease in accrued compensated absences is reported in the government-wide Statement of Activities but not the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.	(268,093)
Disposition of capital assets (i.e., sales, trade-ins and transfers) results in a decrease in capital assets reported in the government-wide statements during the current period.	(1,306,404)
Increase (decrease) to the combined net pension asset and net OPEB liability on the government-wide statements during the current period.	(4,019,264)
Change in net position of governmental activities reported on the government-wide Statement of Activities	<u>\$ 27,399,182</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CURRENT ASSETS					
Cash and cash equivalents	\$ 26,877,229	\$ 1,836,753	\$ 1,825,962	\$ 30,539,944	\$ 9,160,557
Deposits with Trustee	-	346,569	-	346,569	-
Investments	55,355,356	3,528,476	3,509,155	62,392,987	17,604,877
Bond covenant accounts:					
Restricted cash and cash equivalents	2,828,382	-	-	2,828,382	-
Restricted investments	1,862,187	-	-	1,862,187	-
Receivables, net					
Taxes	-	3,578,870	-	3,578,870	-
Customer accounts	7,137,274	74,129	188,912	7,400,315	192,482
Interest	476,433	29,769	25,150	531,352	118,645
Interfund loans	603,850	-	-	603,850	-
Due from other governments	848,122	1,213,429	22,581	2,084,132	29,207
Prepayments	-	-	-	-	97,858
Inventory	1,074,552	-	103,211	1,177,763	719,784
Total Current Assets	97,063,385	10,607,995	5,674,971	113,346,351	27,923,410
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	256,205	-	256,205	-
Prepayments	145,083	-	-	145,083	-
Restricted investments	-	493,795	-	493,795	-
Special assessments	2,520	-	-	2,520	-
Investment in joint venture	669,332	-	-	669,332	-
Net position in pensions	3,898	-	-	3,898	-
Land	30,143,985	14,311,708	959,622	45,415,315	-
Construction in progress	30,754,374	840,083	-	31,594,457	-
Capital assets, net of depreciation (Note 6)	544,045,109	39,204,613	14,240,972	597,490,694	1,307,239
Total Noncurrent Assets	605,764,301	55,106,404	15,200,594	676,071,299	1,307,239
TOTAL ASSETS	702,827,686	65,714,399	20,875,565	789,417,650	29,230,649
DEFERRED OUTFLOWS OF RESOURCES					
Refunding of debt	6,920,746	-	-	6,920,746	-
Related to asset retirement obligations	-	-	-	-	120,000
Resources related to pensions	1,486,987	1,112,144	54,696	2,653,827	431,103
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,407,733	1,112,144	54,696	9,574,573	551,103
COMBINED ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 711,235,419	\$ 66,826,543	\$ 20,930,261	\$ 798,992,223	\$ 29,781,752
LIABILITIES					
CURRENT LIABILITIES					
Wages and benefits payable	\$ 1,462,656	\$ 769,938	\$ 52,323	\$ 2,284,917	\$ 153,157
Accounts payable	1,646,894	877,873	288,556	2,813,323	619,081
Claims and judgments payable	-	-	-	-	7,113,264
Interest payable	601,169	-	-	601,169	-
Taxes payable	167,481	2,484	13,767	183,732	506
Interfund loans payable	-	-	603,850	603,850	-
Due to other governments	-	482,606	-	482,606	-
Unearned revenue	-	428,822	252,194	681,016	-
Current portion of long-term debt	12,301,924	-	-	12,301,924	-
Other current liabilities	1,031,732	143,592	-	1,175,324	207,430
Total Current Liabilities	17,211,856	2,705,315	1,210,690	21,127,861	8,093,438
NONCURRENT LIABILITIES					
Capital Leases Payable	10,386	-	-	10,386	-
Revenue bonds payable	163,029,363	-	-	163,029,363	-
Claims and judgments payable	-	-	-	-	6,583,469
Special assessment bonds payable	2,520	-	-	2,520	-
Advances from other funds	-	-	6,134,168	6,134,168	-
Loans payable	20,028,537	-	-	20,028,537	-
Net pension liability	4,068,171	4,923,744	67,478	9,059,393	3,277,523
Liabilities payable from restricted assets	-	750,000	-	750,000	-
Other long-term liabilities	886,463	480,884	324,593	1,691,940	183,130
Total Noncurrent Liabilities	188,025,440	6,154,628	6,526,239	200,706,307	10,044,122
TOTAL LIABILITIES	205,237,296	8,859,943	7,736,929	221,834,168	18,137,560
DEFERRED INFLOWS OF RESOURCES					
Resources related to pensions	3,780,464	2,400,540	158,359	6,339,363	610,774
TOTAL DEFERRED INFLOWS OF RESOURCES	3,780,464	2,400,540	158,359	6,339,363	610,774
COMBINED LIABILITIES AND DEFERRED INFLOW OF RESOURCES	\$ 209,017,760	\$ 11,260,483	\$ 7,895,288	\$ 228,173,531	\$ 18,748,334
NET POSITION					
Net Investment in Capital Assets	416,328,958	53,374,236	15,194,773	484,897,967	1,270,993
Restricted for debt service	4,690,569	-	-	4,690,569	-
Unrestricted	81,198,132	2,191,824	(2,159,800)	81,230,156	9,762,425
TOTAL NET POSITION	\$ 502,217,659	\$ 55,566,060	\$ 13,034,973	\$ 570,818,692	\$ 11,033,418

Amounts reported for business-type activities in the statement of net position are different because:

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

(616,988)

Net position of business-type activities

\$ 570,201,704

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 -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Charges for services	\$ 94,950,305	\$ 1,863,190	\$ 7,339,431	\$ 104,152,926	\$ 34,589,638
Rental revenues	-	1,233,948	-	1,233,948	-
Total Operating Revenues	94,950,305	3,097,138	7,339,431	105,386,874	34,589,638
OPERATING EXPENSES:					
Personnel services	22,670,143	15,584,704	1,322,917	39,577,764	3,266,434
Supplies	5,123,528	1,214,814	650,292	6,988,634	4,152,213
Professional services	5,612,638	1,376,664	2,131,926	9,121,228	18,361,060
Depreciation and amortization	16,974,192	3,180,440	727,359	20,881,991	435,557
Taxes	1,857,076	20	1,649	1,858,745	-
Other operating expenses	13,595,244	4,548,658	1,874,758	20,018,660	10,239,563
Total Operating Expenses	65,832,821	25,905,300	6,708,901	98,447,022	36,454,827
Operating Income (Loss)	29,117,484	(22,808,162)	630,530	6,939,852	(1,865,189)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax	-	20,802,068	-	20,802,068	-
Intergovernmental revenues	46,439	1,937,753	118,617	2,102,809	-
Interest and investment revenue	2,539,732	137,731	163,755	2,841,218	681,988
Rent	667,535	-	-	667,535	-
Other non-operating revenues	572,896	12,991	4,279	590,166	1,064,442
Gain (loss) on sale/retirement of assets	47,723	18,914	610	67,247	-
Sale of junk/salvage	12,171	60	-	12,231	12,828
Interest expense	(6,134,581)	-	(202,817)	(6,337,398)	-
Other non-operating expenses	(32,379)	(1,741,850)	-	(1,774,229)	-
Total Non-Operating Revenues (Expenses)	(2,280,464)	21,167,667	84,444	18,971,647	1,759,258
Income (Loss) Before Contributions and Transfers	26,837,020	(1,640,495)	714,974	25,911,499	(105,931)
Capital contributions	8,279,739	5,330,620	-	13,610,359	-
Transfers in	39,082	6,336	285,940	331,358	55,822
Transfers out	(6,443,793)	(318,555)	(12,005)	(6,774,353)	-
CHANGE IN NET POSITION	28,712,048	3,377,906	988,909	33,078,863	(50,109)
NET POSITION - BEGINNING	465,559,739	52,188,154	12,046,064	529,793,957	11,083,527
Prior Period Adjustments	7,945,872	-	-	7,945,872	-
NET POSITION - ENDING	\$ 502,217,659	\$ 55,566,060	\$ 13,034,973	\$ 570,818,692	\$ 11,033,418

The difference between Increase in Net Position, and Change in Net Position for business-type funds is explained as follows:

Increase in Net Position, per above	\$ 33,078,863
The net revenue (expense) of certain activities of internal service funds associated with business-type activities.	(950,786)
Change in Net Position, per Statement of Activities	<u>\$ 32,128,077</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Page 1 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 95,413,622	\$ 2,770,473	\$ 7,356,685	\$ 105,540,780	\$ 474,168
Receipts from interfund services provided	705,816	116,916	-	822,732	34,086,570
Payments to suppliers	(18,117,420)	(2,056,175)	(4,338,013)	(24,511,608)	(25,960,212)
Payments to employees	(26,738,092)	(15,276,857)	(1,369,369)	(43,384,318)	(3,205,331)
Payments for interfund services used	(7,550,842)	(5,117,989)	(176,935)	(12,845,766)	(516,672)
Claims paid	-	-	-	-	(4,575,308)
Other receipts	834,891	13,051	4,279	852,221	1,408,559
Other payments	(32,379)	(1,700,732)	-	(1,733,111)	-
Net cash provided (used) by operating activities	44,515,596	(21,251,313)	1,476,647	24,740,930	1,711,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Sales tax received	-	20,902,198	-	20,902,198	-
Receipts from non-capital grants	53,122	2,008,398	106,237	2,167,757	-
Interfund loan payments received	234,850	-	-	234,850	-
Interest received on interfund loans	31,749	-	-	31,749	-
Proceeds from interfund loans	-	-	15,150	15,150	-
Principal paid on interfund loans	-	-	(460,000)	(460,000)	-
Interest paid on interfund loans	-	-	(166,710)	(166,710)	-
Transfers to other funds	(6,443,793)	(318,555)	(12,005)	(6,774,353)	-
Transfers from other funds	39,082	6,336	285,940	331,358	55,822
Net cash provided (used) by noncapital financing activities	(6,084,990)	22,598,377	(231,388)	16,281,999	55,822
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on capital debt	(10,821,083)	-	(1,000,000)	(11,821,083)	-
Interest paid on capital debt	(6,810,280)	-	(42,500)	(6,852,780)	-
Receipts from capital grants	985,320	5,827,513	-	6,812,833	-
Proceeds from sale of capital assets	70,699	18,914	610	90,223	-
Capital contributions	6,583,052	-	-	6,583,052	-
Acquisition and construction of capital assets	(35,797,443)	(5,764,884)	(156,739)	(41,719,066)	(378,331)
Net cash provided (used) by capital and related financing activities	(45,789,735)	81,543	(1,198,629)	(46,906,821)	(378,331)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	32,125,725	329,808	1,478,123	33,933,656	5,829,303
Purchase of investments	-	-	(284,456)	(284,456)	-
Investment income	1,579,510	106,166	116,750	1,802,426	454,751
Net cash provided (used) by investing activities	33,705,235	435,974	1,310,417	35,451,626	6,284,054
Net Increase (Decrease) in Cash and Cash Equivalents	26,346,106	1,864,581	1,357,047	29,567,734	7,673,319
Cash and Cash Equivalents, January 1	3,359,505	574,946	468,915	4,403,366	1,487,238
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 29,705,611	\$ 2,439,527	\$ 1,825,962	\$ 33,971,100	\$ 9,160,557
Current Cash and Cash Equivalents	\$ 26,877,229	\$ 2,183,322	\$ 1,825,962	\$ 30,886,513	\$ 9,160,557
Restricted Cash and Cash Equivalents	2,828,382	256,205	-	3,084,587	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 29,705,611	\$ 2,439,527	\$ 1,825,962	\$ 33,971,100	\$ 9,160,557

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Page 2 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET					
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 29,117,484	\$ (22,808,162)	\$ 630,530	\$ 6,939,852	\$ (1,865,189)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and amortization	16,974,192	3,180,440	727,358	20,881,990	435,557
Other non-operating receipts	1,252,602	13,051	4,279	1,269,932	1,077,270
Other non-operating disbursements	(32,379)	(1,700,732)	-	(1,733,111)	-
GASB 68 pension expense adjustments	(4,347,664)	236,472	(36,519)	(4,147,711)	188,257
Change in Assets and Liabilities:					
(Increase) decrease in inventories	120,318	-	32,737	153,055	(174,138)
(Increase) decrease in receivables	748,063	(294,304)	5,517	459,276	302,389
(Increase) decrease in prepaid expenses	6,909	4,757	-	11,666	(2,142)
Increase (decrease) in accounts and other payables	554,954	(29,869)	114,609	639,694	1,877,167
Increase (decrease) in compensated absences	122,723	61,274	(13,601)	170,396	(127,397)
Increase (decrease) in other current liabilities	(1,606)	85,760	11,737	95,891	-
TOTAL ADJUSTMENTS	15,398,112	1,556,849	846,117	17,801,078	3,576,963
Net cash provided (used) by operating activities	\$ 44,515,596	\$ (21,251,313)	\$ 1,476,647	\$ 24,740,930	\$ 1,711,774
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Non-Cash Financing, Capital and Investing Activities:					
Capital assets contributed by other funds	\$ 1,253,029	\$ -	\$ -	\$ 1,253,029	\$ -
Capital assets contributed by private developers	214,074	-	-	214,074	-
Increase (decrease) in fair value of investments	703,746	30,659	37,850	772,255	182,721
Capital grants earned, not received	-	464,855	-	464,855	-
Operating grants earned, not received	17,937	360,115	22,581	400,633	-
TOTAL NON-CASH ACTIVITIES	\$ 2,188,786	\$ 855,629	\$ 60,431	\$ 3,104,846	\$ 182,721

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	CUSTODIAL FUNDS DOWNTOWN BUSINESS IMPROVEMENT AREA
ASSETS		
Cash and cash equivalents	\$ 1,903,077	\$ 51,107
Investments		
Agency Bonds	42,603,723	-
Accounts receivable - net	-	47,808
Interest receivable	17,310	-
Other Prepayments	1,672	-
Total Current Assets	44,525,782	98,915
TOTAL ASSETS	\$ 44,525,782	\$ 98,915
LIABILITIES		
Accounts payable	\$ 66,639	\$ -
Total Current Liabilities	66,639	-
TOTAL LIABILITIES	66,639	-
NET POSITION		
Net Position restricted for pensions	15,854,319	-
Net Position restricted for post employment I	28,604,824	-
Net Position restricted for custodial funds	-	98,915
Total held in trust	\$ 44,459,143	\$ 98,915

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**

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	CUSTODIAL FUNDS DOWNTOWN BUSINESS IMPROVEMENT AREA
ADDITIONS:		
Contributions		
Employer	\$ 1,828,300	\$ -
State	180,065	-
Other contributions	2,614	-
Total contributions	<u>2,010,979</u>	<u>-</u>
Assessments for improvement area		456,328
Investment income		
Interest	994,349	-
Net appreciation (depreciation) in fair value	1,190,370	-
Net investment income	<u>2,184,719</u>	<u>-</u>
TOTAL ADDITIONS	<u>4,195,698</u>	<u>456,328</u>
DEDUCTIONS:		
Benefits	3,737,185	-
Administrative expense	86,650	-
Assessments distributed to improvement area	-	475,375
TOTAL DEDUCTIONS	<u>3,823,835</u>	<u>475,375</u>
CHANGE IN NET POSITION		
Pension benefits	434,375	
Postemployment healthcare benefits	(62,512)	
Business Improvement Area		(19,047)
NET POSITION RESTRICTED FOR EMPLOYEES' PENSION BENEFITS		
Employees' pension benefits, January 1	15,419,944	
NET POSITION RESTRICTED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS		
Postemployment healthcare benefits, January 1	28,667,336	
NET POSITION RESTRICTED FOR BUSINESS IMPROVEMENT AREA		
Business Improvement Area, January 1		117,962
NET POSITION - ENDING	<u>\$ 44,459,143</u>	<u>\$ 98,915</u>

The accompanying notes are an integral part of this statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Everett are 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. Significant accounting policies are described below.

A. REPORTING ENTITY

The City of Everett was incorporated on May 4, 1893. The City operates under a Mayor-Council form of government, and, under its charter, has all powers granted to like cities by the constitution and laws of the State of Washington. The City is a general-purpose government providing police, fire, emergency medical service, water distribution, sewage collection and treatment, transit services, street maintenance, planning and zoning, libraries, parks and recreation, and general administrative services - the full range of municipal services contemplated by statute or charter.

As required by generally accepted accounting principles, the City of Everett includes all governmental activities, organizations, and functions (referred to in this note as "organizations," whether they are structured as funds, departments, agencies, boards, or commissions) for which the City of Everett is financially accountable.

Also included are other organizations for which the nature and significance of their relationship with the City of Everett are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City of Everett is financially accountable for other entities that are considered component units if: (1) it appoints a voting majority of the governing body and (a) it is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City, or (2) it is the sole corporate member of a not-for-profit corporation.

Each blended and discretely presented component unit has a December 31 year-end.

Blended Component Units – Although legally separate entities, blended component units are, in substance, part of the government's operations. Therefore, data from these units are combined with data of the primary government.

The **Industrial Development Corporation (IDC)** of the City of Everett, a public nonprofit corporation, is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the City. The local government, through the public corporation, lends its name to confer tax-exempt status on the bonds issued. Neither the local government, the public corporation, nor the state government pledges its credit to repayment of the bonds. The funds for repayment of the bonds come from private lenders and must be repaid by the company for which the industrial development facilities are financed and built. Currently, there are no outstanding bonds.

The entire IDC's governing body is comprised of City council members and the mayor, who serves ex officio. As a result, the City is the sole corporate member of a not-for-profit corporation. The IDC's account balances and transactions are included in the City's financial statements as a special revenue fund. The transactions, if any, are minimal; therefore, separate financial statements have not been issued.

The **City of Everett CDE LLC**, a community development entity (CDE) formed by the City in February 2009, is a separate legal entity whose purpose is to help alleviate poverty and incentivize investment into low-income community census tracts. The Everett CDE LLC applied for New Market Tax Credits (NMTC) in April of 2009. In October 2009, the US Treasury Department awarded \$25 million in NMTC to City of Everett CDE LLC.

The City of Everett CDE LLC is wholly owned and controlled by the City. The volunteer board members, who are appointed by the mayor and approved by City Council, serve solely in an advisory capacity. The CDE's account balances and transactions are included in the City's financial statements as a special revenue fund.

Discretely Presented Component Unit – The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

The **Everett Public Facilities District (PFD)**, a municipal corporation of the State of Washington, was established by City ordinance in March 2001, to finance, design, construct, operate, and maintain a special events center. The PFD is included in the City's reporting entity as a discretely presented component unit because of the financial accountability relationship. The Board of Directors consists of five members, all appointed by the Everett City Council.

In October 2015, the PFD entered into a catering and concession agreement with Spectra Food Services and Hospitality (Spectra). The agreement provided for a payment of \$375,000 by Spectra towards capital improvements in the Regional Special Events Center. This payment is amortized over the term of the agreement of 63 months as there is a repayment obligation for the unearned balance should the agreement be terminated early. The unamortized balance of deferred inflows of resources at December 31, 2019 was \$56,250.

In October 2014, the City issued the 2014 LTGO Refunding Bonds to refinance its outstanding 2003 LTGO Variable Rate debt and to refinance the Everett Public Facilities District (EPFD) outstanding project revenue bonds. The 2014 LTGO Refunding Bonds were floating rate bonds that were issued for a five-year term and bore interest based on the Securities Industry and Financial Markets (SIFMA) short-term index rate. The portion of the 2014 LTGO Refunding Bonds that were issued to refinance EPFD debt were referred to as the 2014 EPFD LTGO Refunding Bonds.

In November 2019, the City issued fixed-rate Limited Tax General Obligation (LTGO) Refunding Bonds to refinance the outstanding 2014 LTGO Refunding Bonds, which had come to the end of the initial five-year period. The portion of the 2019 LTGO Refunding Bonds attributed to the 2014 EPFD LTGO Refunding Bonds is referred to as the 2019 EPFD LTGO Refunding Bonds.

The City is responsible for all debt service payments associated with the 2019 LTGO Refunding Bonds. However, the PFD agrees to reimburse the City the amount of principal and interest paid on the 2019 EPFD LTGO Refunding Bonds. As of December 31, 2019, the outstanding 2019 PFD Refunding Bonds balance was \$18,865,800. Interest paid and assessed as well as principal payments made on PFD bond obligations are \$1,525,780 as of December 31, 2019.

The City loaned PFD \$665,000 for the upgrade of the arena scoreboard. Interest accrued on this loan as of December 31, 2019, is \$55,065.

In 2018, per RCW 39.34 the City and the PFD entered into an interlocal agreement in which the City agrees to a contingent loan guarantee to support 2018 Refunding Bond debt. This guarantee is extended through the final maturity date of December 1, 2041. As a condition of the interlocal agreement, the PFD created the 2018 Reserve Account to secure the payment of principal and interest on the 2018 Bonds. The reserve requirement is maintained by cash deposit, a Qualified Letter of Credit or Qualified Insurance. Payments for the PFD's 2018 principal and interest are expected to be made from the PFD tax revenues and net project revenues. As of December 31, 2019, the PFD had outstanding 2018 Refunding Bond debt of \$19,090,000.

Complete financial statements may be obtained at the PFD administrative offices, Attn: Director of Finance, Everett Public Facilities District, 2000 Hewitt Avenue, Suite 200, Everett, Washington 98201.

B. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Effective January 1, 2019, the City adopted the provisions of the following GASB Pronouncements:

Statement No. 83, Certain Asset Retirement Obligations – addresses accounting and financial reporting for certain asset retirement obligation liabilities and a corresponding deferred outflow of resources. Asset retirement obligations ("ARO") represent the best estimate of the current value of cash outlays expected to be incurred for legally enforceable retirement obligations of tangible capital assets. Recognition occurs when the liability is both incurred and reasonably estimable. The liability is incurred upon the acquisition, construction, development or normal operation of tangible long-lived assets together with the occurrence of an external event that obligates the government to perform the asset retirement activities as in the enactment of laws, regulations, contracts, or court judgments. The deferred outflows of resources should be reduced and recognized as outflows of resources (an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. The provisions of this statement have been incorporated into these financial statements (see Note 17).

Statement No. 84, Fiduciary Activities – establishes criteria for identifying fiduciary activities that meet the criteria of whether a government controls the assets of the fiduciary activity and the beneficiaries with whom a fiduciary

relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable as (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The City reports pension and other employee benefits trust funds and one custodial fund. The provisions of this statement have been adopted and incorporated into these financial statements (see Fiduciary Fund Statements).

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – improves financial reporting by consistently providing users of financial statements with essential information, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this statement have been adopted and incorporated into these financial statements (see Notes 10 and 12).

Statement No. 90, Majority Equity Interests – the primary objectives are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The City is implementing this statement for possible future application to equity holdings. There was no impact to these financial statements as a result of implementing this standard.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Additionally, the City's cost allocation plan allocates a portion of costs to individual functions. These costs reduce the total costs of the function or program providing the service while being included as part of the program expenses reported for the various functional activities that benefit from these services. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Several major revenue sources associated with the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. These major revenues include property taxes; business

and occupation taxes; real estate excise taxes; sales tax; natural gas, telephone, and electric taxes; licenses; and interest. Only the portion of special assessment receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when cash is received by the City.

The City reports the following major governmental 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 bond redemption fund, which is a debt service fund, accounts for the activity and reserves associated with refunding and redemption of general government bonds. The major funding sources for this fund include the proceeds of refunding bond debt and transfers in from the general government. The major expenditures of this fund are for the redemption of debt.
- The emergency medical services fund, which is a special revenue fund, accounts for the paramedic program funded by a special property tax levy passed by the citizens of Everett, and ambulance transport fees.

The City reports the following major proprietary funds:

- The water and sewer utility fund accounts for the distribution and filtration of water, the collection and treatment of wastewater, the collection and treatment of sewage, and for surface water management.
- The transit fund accounts for public transit transportation services, including van service for the elderly and persons with disabilities and a commute trip reduction program. The transit fund also accounts for the operation of Everett Station.

Additionally, the City reports the following fund types:

- Internal service funds account for the City's self-insured medical and chiropractic health benefits, general liability, workers' compensation, and property insurance coverage, fleet management services, telecommunication services, and information technology services provided to other departments on a cost reimbursement basis.
- Pension trust funds account for the activities of the police and fire pension funds, which accumulate resources for pension benefit payments and post-employment health care benefits to qualified public safety employees.
- Custodial funds report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The City uses a custodial fund to account for the Downtown Business Improvement Area.

As a 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.

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. All taxes are considered general revenues.

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 Utilities Fund, Solid Waste Utility Fund, Transit Fund, Parking Garage Fund, Golf Fund, and the internal service funds are charges to customers for sales and services. Operating expenses for 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.

Other operating expenses include the following:

	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	INTERNAL SERVICE FUNDS
Insurance	\$ 2,640,309	\$ 1,008,288	\$ 51,420	\$ 3,700,017	5,661,185
Repairs and maintenance	6,201,391	2,988,784	1,234,743	10,424,918	2,312,233
Claims	-	-	-	-	1,522,474
Utilities	2,427,097	320,946	386,064	3,134,107	526,973
Operating Rents	689,457	28,938	7,622	726,017	173,431
Communications	279,012	65,736	15,480	360,228	19,044
Dues and subscriptions	124,704	34,236	1,250	160,190	1,753
Travel and training	126,172	41,930	712	168,814	5,396
Fuel	147,686	-	23,777	171,463	465
Recording fees	2,445	-	-	2,445	-
Unclassified *	956,971	59,800	153,690	1,170,461	16,609
	<u>\$ 13,595,244</u>	<u>\$ 4,548,658</u>	<u>\$ 1,874,758</u>	<u>\$ 20,018,660</u>	<u>10,239,563</u>

* Unclassified expenses include costs that are minor in amount and/or infrequent in occurrence and are not specifically described in other categories; such as laundry and other sanitation services, and binding that are not significant costs of operations, advertising, license, permits.

Other nonoperating revenues are:

	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	INTERNAL SERVICE FUNDS
Insurance recovery	\$ 500,400	\$ 138	\$ 546	\$ 501,084	\$ 806,387
COBRA premiums	-	-	-	-	224,799
Discounts and rebates	63,552	3,202	3,733	70,487	33,256
Miscellaneous	8,944	609	-	9,553	-
ORCA program fees	-	9,042	-	9,042	-
	<u>\$ 572,896</u>	<u>\$ 12,991</u>	<u>\$ 4,279</u>	<u>\$ 590,166</u>	<u>1,064,442</u>

Other nonoperating expenses include payments to other governments for capital contribution and interlocal agreements.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. These investments are reported in the balance sheet and statements of net position as cash and cash equivalents. Cash and cash equivalents are defined as cash on hand, demand deposits, and all highly liquid investments, including restricted assets, with original maturities of three months or less. The interest on these investments is prorated to the applicable funds.

Investments

It is the City's policy to invest its funds in a manner which will provide maximum security, meet daily cash flow demands, conform to all state statutes and local ordinances governing the investment of public funds, and provide a market rate of return through budgetary and economic cycles. The City's Investment Policy was adopted through Ordinance 3536-17. Additional information on the City's investments can be found in Note 4.

Receivables

Taxes receivable consist of property taxes and related interest and penalties, electric taxes, telephone taxes, B&O taxes, natural gas use taxes, and sales taxes. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Notes and contracts receivable consist of amounts loaned to private individuals or organizations primarily in conjunction with the Community Home Improvement Program or the Community Development Block Grant Program. Special assessments receivable, which are recorded when the special assessment is levied, consist of current and delinquent assessments and related interest and penalties.

Amounts Due to and from Other Funds, Interfund Loans, and Advances

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, advances and amounts due to and from other funds are presented in Note 14.

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

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.

Inventories and Prepayments

Inventories of proprietary funds are valued using the weighted average cost method for Utilities and Golf, specific identification for Computer Reserve fund, and the moving average cost method for the Equipment Rental Fund. Inventories of the governmental fund are recorded as expenditures when purchased.

Certain payments made in the current period reflect costs applicable to future accounting periods. These amounts are reported as "prepayments" in both the government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

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 for construction, escrow requirements and debt service.

Restricted assets of governmental activities include the following:

Special assessments receivable	<u>\$ 96,699</u>
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Restricted assets of business-type activities include the following:

Revenue bond debt service accounts	\$ 4,690,569
Environmental cleanup holdback	750,000
Special assessments receivable	<u>2,520</u>
	<u>\$ 5,443,089</u>

Capital Assets and Depreciation (See Note 6)

Capital assets consist of land, buildings, improvements, machinery and equipment, infrastructure (e.g., roads, bridges, traffic controls, library collections, and similar items), and intangibles (e.g., computer software and other intellectual property) with an estimated useful life of more than one year. Land is capitalized at cost with no minimum threshold. Buildings, improvements, machinery and equipment and intangibles are capitalized when the cost of an individual item exceeds \$5,000. Infrastructure assets are capitalized when the cost equals or exceeds \$200,000. Assets are valued at actual historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets and infrastructure are valued at acquisition value on the date received. Capital assets financed by capital leases are recorded at the present value of lease payments. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties. The cost of normal maintenance and repair of both governmental and business-type assets is charged to operations as incurred.

Capital assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets of the internal service funds are reported with governmental assets in the statement of net position.

Annual depreciation is recorded as an expense of the related activity. Provision for depreciation is computed using the straight-line method over estimated service life as follows. Certain facts or circumstances of specific assets may require amortization over shorter or longer periods.

	<u>Estimated Service Life</u>
Buildings	25-50 Years
Improvements Other Than Buildings	5-50 Years
Infrastructure	10-100 Years
Machinery and Equipment	2-20 Years
Intangibles	2-45 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick leave and vacation benefits.

Employees may accumulate a maximum of between 960 and 1,176 hours of sick leave, depending upon the collective bargaining unit agreement or City ordinance that applies to them. Upon separation from City employment, eligible employees will be compensated between 0 and 588 hours of their sick leave balance, depending upon the applicable collective bargaining agreement or City ordinance.

A long-term liability for a portion of accumulated sick leave is recorded in the government-wide and proprietary fund financial statements using the vesting method. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Eligible employees may accumulate a maximum of between 384 and 448 hours of vacation leave in accordance with the applicable collective bargaining agreement or City ordinance but may not accumulate more than two full years of earned vacation. At the time of retirement or separation from the City, eligible employees will be compensated for a maximum of 240 to 448 hours of their accrued vacation balance, again depending on the applicable collective bargaining agreement or City ordinance.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City has four items that qualify for reporting in the statement of net position: deferred loss on refunding, deferred outflow related to asset retirement obligations (ARO), deferred outflows related to pension, and deferred outflows related to other post-employment benefits (OPEB).

- A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to ARO are amortized (expensed) over the useful life of the underlying asset.
- Deferred outflows related to pensions consist of contributions to the State of Washington pension plans from July 1 to December 31 of the current fiscal year, the difference between expected and actual experience, changes in assumptions, and changes in proportionate share. Changes in proportionate share are deferred and amortized over the average remaining expected service lives of all employees in the plans. Deferred outflows also arise from the difference between projected and actual investment earnings on pension plan investments in the single-employer police and fire pension plans and are scheduled to amortize over five years.
- Deferred outflows related to other post-employment benefits (OPEB) arise from the difference between projected and actual investment earnings on pension plan investments in the single-employer police and fire pension plans and are scheduled to amortize over five years.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and that will not be recognized as an inflow of resources (revenue) until that period.

- The City has four items at the fund level that qualify for reporting in this category: (1) unavailable property taxes recorded as receivables, (2) unavailable special assessments recorded as non-current receivable, (3)

unavailable interest revenue relating to loans, and (4) deferred inflows related to pensions. Items (1) – (3) are accrued at the entity-wide level and are no longer deferred inflows of resources.

- At the entity-wide level, deferred inflows are related to pension in both the single-employer and state sponsored plans and to OPEB in the single-employer plans. Deferred inflows arise from differences between expected and actual experience, differences between projected and actual investment earnings on pension plan assets, changes of assumption, and changes in proportion and difference between contribution and proportionate share of contributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's proportionate share of all state sponsored pension plans in which the City participates (See Note 7) and additions to/deductions from those plans' fiduciary net positions have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police and Fire pension plans and additions to/deductions from the plan fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Short-term Debt

Debt with a term of one year or less at the time of issue is considered short-term debt. The City did not issue short-term debt during 2019.

Long-term Debt

In the fund financial statements of proprietary fund types and in the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. 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. Bond insurance costs are reported as prepaid charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

Detailed information on long-term debt outstanding at year-end is presented in Note 10 and Note 12.

Other accrued liabilities

These accounts include accrued employee benefits, customer deposits, and pollution remediation liabilities.

Fund Balances

The components for reporting the City's governmental fund balances are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance cannot be spent because it is either not in spendable form, such as inventory or prepaid expense, or is legally or contractually required to remain intact.

Restricted fund balance includes amounts of which the use is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, which is the government's highest level of decision-making authority. Fund balance commitments are established, modified, or rescinded by City Council action through adoption of an ordinance.

Assigned fund balance includes amounts that have an intended use established by the City Council or Administration; however, little or no formal action is required to modify intended use.

Unassigned fund balance is the residual net resources of the general fund. The general fund is the only fund that reports a positive unassigned fund balance among governmental funds.

The City considers restricted amounts to be spent when an expenditure is incurred for which both restricted and unrestricted fund balance are available. The City does not have a formal policy for the use of unrestricted fund balance amounts; therefore, it considers committed amounts used first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for which amounts in any of unrestricted fund balance classifications could be used.

On February 17, 1993, City Council adopted Ordinance 1928-93, which established a Contingency Reserve Fund. Per the ordinance, funds in the Contingency Reserve Fund can only be expended upon consensus agreement between Administration and City Council. Such expenditures can only be used when extraordinary needs arise that require immediate budget attention. Examples include natural and man-made disasters, civic unrest, and severe economic downturns. The balance in the Contingency Reserve Fund at December 31, 2019 was \$4.5 million and is included in the unassigned fund balance of the General Fund. The City maintains a formal policy that fund balance in the General Fund be at least 20 percent of operating revenues.

Fund balances by classification for the year ended December 31, 2019, were as follows:

Fund Balances	General Fund	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Long Term Loans	\$ 22,090,440	\$ -	\$ -	\$ 22,090,440
Advances to Other Funds	6,134,168	-	-	6,134,168
Restricted for:				
Capital Projects	-	-	103,381	103,381
Tourism Advertising	-	-	452,125	452,125
Parks & Recreation Maintenance	-	-	1,732,717	1,732,717
Animal Shelter Operation	-	-	205,088	205,088
Streets Capital Constructions *	-	-	5,559,119	5,559,119
Library Books	-	-	46,682	46,682
Library Misc. Operation	-	-	68,706	68,706
Capital Projects Debt Services *	-	-	169,067	169,067
General Government Special Project:	-	-	993,414	993,414
Policing	-	-	10,709,009	10,709,009
Traffic Improvement Projects	-	-	7,009,082	7,009,082
CHIP Loans & Community Developm	-	-	14,907,158	14,907,158
Parks Capital Construction	-	-	731,949	731,949
Committed to:				
1% for Arts Projects	168,339	-	-	168,339
Assigned to :				
Capital Projects	-	-	12,519,318	12,519,318
City Debt Service	-	-	12,304,781	12,304,781
Riverfront Capital Project	-	-	271,917	271,917
City Streets Improvements	-	-	4,482,288	4,482,288
Parks & Recreation Maintenance	-	-	181,713	181,713
Animal Shetler Operation	-	-	189,542	189,542
Library Books	-	-	116,290	116,290
Library Misc. Operation	-	-	171,152	171,152
EMS	-	7,016,424	-	7,016,424
General Government Special Project:	-	-	40	40
Policing	-	-	30,792	30,792
Community Redevelopment	-	-	189,429	189,429
City Roads Safety & Improvements	-	-	3,494,502	3,494,502
Facility Construction Projects	-	-	27,867	27,867
Parks Capital Construction	-	-	2,681	2,681
Unassigned:	59,018,654	-	-	59,018,654
Total Fund Balances	\$ 87,411,601	\$ 7,016,424	\$ 76,669,809	\$ 171,097,834

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental funds balance sheet includes reconciliation between Total Fund Balances – Governmental Funds and Total Net Position-Governmental Activities as reported in the government-wide statement of net position. Certain items in the reconciliation are a combination of items reported at net. These items are detailed as follows:

Capital assets not reported in total governmental funds:	
Cost of capital assets	\$ 537,205,925
Accumulated depreciation	<u>(179,061,171)</u>
Net adjustment to increase total fund balances of governmental funds to arrive at net position of governmental activities.	<u>\$ 358,144,754</u>
Long-term debt not reported in total governmental funds:	
Bonds payable	\$ (30,443,901)
Compensated absences accrued	(14,054,570)
Unamortized balance of bond premiums	(4,799,634)
Accrued interest payable	<u>(45,062)</u>
Net adjustment to reduce total fund balances of government funds to arrive at net position of governmental activities	<u>\$ (49,343,167)</u>
Amounts related to Police and Fire pension benefit:	
Police pension asset and deferred outflows	\$ 256,212
Police OPEB liability and deferred outflows	(22,168,942)
Fire pension asset and deferred outflows	607,244
Fire OPEB liability and deferred outflows	<u>(26,250,299)</u>
Net adjustment to reduce total fund balances of governmental funds to arrive at net position of governmental activities.	<u>\$ (47,555,785)</u>
Internal service funds reported separately with business-type funds:	
Internal service funds - total fund equity	\$ 11,033,419
Amount allocated to internal balances - business-type activities	<u>616,988</u>
Net adjustment to increase total fund balances of governmental funds to arrive at net position of governmental activities.	<u>\$ 11,650,407</u>

- **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the Net changes in fund balances (Total Governmental Funds) and the Change in net position as reported in the government-wide Statement of Activities. Certain items in the reconciliation are a combination of items reported at net. These items are detailed as follows:

The net effect of various miscellaneous transactions involving capital assets:

Book value of disposed assets:	
Cost of government-type capital assets disposed	\$ (7,610,548)
Accumulated depreciation of disposed assets	7,557,173
Assets transferred from internal service to governmental funds	(13,701)
Book value of property transferred from governmental to business-type funds	<u>(1,239,328)</u>
Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (1,306,404)</u>

The amount by which depreciation exceeds capital outlays in the current period:

Expenditures that are capitalized	\$ 24,499,480
Current depreciation expense	(11,285,775)
Fair value of assets received from private development	41,558
Fair value of assets received from private contribution	726,400
Fair value of assets received from another governmental unit	<u>1,644,800</u>
Net adjustment to increase (reduce) net change in fund balance-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 15,626,463</u>

The net effect of the differences in the treatment of long-term debt and related items:

Proceeds of long-term debt	\$ (24,376,965)
Principal payments on long-term debt	\$ 26,564,732
Decrease (increase) in interest payable	3,729
Amortization of bond premium	<u>70,381</u>
Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 2,261,877</u>

The net effect of the differences in the treatment of Police and Fire pension benefits:

Police pension expenses	\$ (132,869)
Police OPEB expenses	(3,266,082)
Fire pension expenses	(251,240)
Fire OPEB expenses	<u>(369,073)</u>
Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (4,019,264)</u>

The net revenue (expense) of certain activities of internal service funds:

Interest revenue allocated from internal service funds to governmental activities	\$ 336,726
Net expense allocated from internal service funds to governmental activities	508,127
Interfund transfers out	<u>55,822</u>
Net adjustment to reduce net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 900,675</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

Scope of Budget

Annual appropriated budgets are adopted for the general fund, special revenue funds, and debt service funds, on a basis consistent with generally accepted accounting principles. Budget-to-actual comparison schedules are presented for these funds.

Annual appropriated budgets are also adopted for the proprietary funds; however, they are “management budgets” and are not required to be presented in these statements. Budgets for capital project funds are adopted at the individual-project level and for fiscal periods that correspond to the projects. Because these funds are not budgeted on an annual basis, budgetary comparisons are not presented.

Legal budgetary control is established at the fund level. 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 are used to monitor expenditures for individual functions and activities by object class. Annual appropriations for all operating funds lapse at year-end.

Amending the Budget

The Mayor 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 one more than the majority after holding public hearings. The budget was amended by ordinance three times in 2019.

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.

Compliance

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

Fund 440 – Golf Fund had a deficit net position of \$4,236,154. To eliminate the deficit, the City continues elements of its business plan to increase revenue and decrease expenses.

Fund 507 – Telecommunications Fund had a deficit net position of \$1,126,022. The deficit was due to applying the accounting principle changes of GASB 68. Future increase of interfund assessments should help in eliminating this deficit.

There were no other material violations of finance-related legal or contractual provisions in any of the funds of the City.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The City’s deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

All investments of the City’s funds are obligations of the U.S. Government, U.S. agency issues, the State of Washington Local Government Investment Pool, or deposits with Washington State Banks that are approved by the Washington State Protection Commission (PDPC) to accept public funds.

U.S. Agency and U.S. Treasury Securities classified in Level 2 are valued by the City's custodian, Wells Fargo, using quoted prices for similar securities and interest rates.

The City is a participant in the Local Government Investment Pool, The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the state of Washington, available to eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation is voluntary. The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The State Treasurer and designated investment officers adhere to all restrictions on the investment of funds established by law and policy.

The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP does not have any legally binding guarantees of share value.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. 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>.

The LEOFF 1 Police and Fire Pension funds are invested by RBC Wealth Management. Investment earnings and redemptions are temporarily placed in the RBC in the RBC Insured Deposits account until reinvested in Treasury or Agency bonds. The RBC Insured Deposits fund places investments in Federal Deposit Insurance Corporation (FDIC) -insured banks offering up to \$5,000,000 in FDIC-insurance coverage. Deposits in excess of \$5,000,000 are temporarily placed in the RBC U.S. Government Money Market Fund, which consists of securities backed by the US government and are covered by Securities Investor Protection Corporation (SIPC) and Excess SIPC.

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, and the maximum maturity of any investment to 10 years.

The LGIP is a short-term investment pool. To provide for safety and liquidity of funds, the LGIP consists of only those high quality, short-term instruments authorized by statute. Investments are restricted to fixed rate securities that mature in 397 days or less, except for securities utilized in repurchase agreements and U.S. government and supranational floating or variable rate securities which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a fair value that approximates their amortized cost. The portfolio's weighted average maturity (WAM) will not exceed 60 days, and a weighted average life (WAL) will not exceed 120 days.

The following schedule presents the investments and related maturities as of fiscal year end.

Investment Type	Fair Value	Maturity (in Years)		
		Less than 1	1 - 5	Over 5 years
U.S. Agency Securities - Primary Govt	\$ 162,498,963	\$ 18,002,860	\$ 85,675,982	\$ 58,820,121
U.S. Agency Securities - Pension	38,383,842	\$ 5,969,035	27,156,266	5,258,541
U.S. Treasuries - Pension	2,125,514	-	1,567,973	557,541
Total Investments	\$ 203,008,318	\$ 23,971,895	\$ 114,400,221	\$ 64,636,203

Deposits	Amortized Cost	Maturity (in Years)		
		Less than 1	1 - 5	Over 5 years
LGIP	\$ 80,822,888	\$ 80,822,888		
RBC Deposit	813,290	813,290		
Total Deposits	\$ 81,636,179	\$ 81,636,179		

Total	\$ 284,644,497	\$ 105,608,073	\$ 114,400,221	\$ 64,636,203
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Fair Value Hierarchy

Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities, Level 2 securities are valued using observable inputs, and Level 3 securities are valued using unobservable inputs. U.S. Agency and U.S. Treasury Securities classified in Level 2 are valued by the City's custodian, Wells Fargo, using quoted prices for similar securities and interest rates. Wells Fargo's primary vendor source is Interactive Data (IDC). The pricing methodology includes obtaining feeds from a number of live data sources, including active market makers and inter-dealer brokers. Sources are reviewed based on their historical accuracy for individual issues and maturity ranges. Secondary vendor sources include Bloomberg, Pricing Direct, and Thomson Reuters. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 or Level 3 security classifications to report.

LGIP investments and RBC deposits are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount. Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value	Total			
Description				
FAMCA	\$ 3,556,621	\$ -	\$ 3,556,621	\$ -
FFCB	66,675,717	-	66,675,717	-
FHLB	51,014,949	-	51,014,949	-
FHLMC	31,253,085	-	31,253,085	-
FNMA	9,998,590	-	9,998,590	-
Total - Primary Gov't	\$ 162,498,963	\$ -	\$ 162,498,963	\$ -
Description				
FFCB	\$ 9,460,498	\$ -	\$ 9,460,498	\$ -
FHLB	9,717,248	-	9,717,248	-
FHLMC	9,634,658	-	9,634,658	-
FNMA	9,571,438	-	9,571,438	-
U.S. Treasuries	2,125,513	-	2,125,513	-
Total - LEOFF 1 Pension	\$ 40,509,355	\$ -	\$ 40,509,355	\$ -
Deposits				
LGIP	\$ 80,822,888			
RBC Deposit	813,290			
Total Deposits	\$ 81,636,179			
Total By Fair Value	\$ 284,644,497			

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 AA+ ratings from Standard & Poor's and Aaa from Moody's Investor Services.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. Treasury and the Local Government Investment Pool as follows:

Issuer Type	Maximum Holdings	Maximum Holdings
	Portfolio	Issuer
U.S. Treasury Notes, Bonds or Certificates	100%	N/A
Government Sponsored Enterprises	90%	40%
Investment Deposits	20%	10%
Certificates of Deposit	20%	10%
Bankers Acceptances	20%	5%
Repurchase Agreements	20%	10%
Washington State Bonds	20%	N/A
Local Government Bonds	20%	5%
LGIP	100%	N/A
Commercial Paper	10%	5%

At December 31, 2019, U.S. Agencies comprised 71 percent of the City's portfolio, including Federal Farm Credit Bureau (27 percent), Federal Home Loan Bank (21 percent), Federal Home Loan Mortgage Corporation (14 percent), and Federal National Mortgage Association (7 percent). In addition, 28 percent of the portfolio was in the LGIP.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Investments held as deposits in financial institutions are insured by the Federal Deposit Insurance Corporation and/or collateralized.

Collateral protection is administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC, created by the Legislature per Chapter 39.58 of the Revised Code of Washington, constitutes a multiple financial institution collateral pool comprised of securities pledged to secure uninsured public deposits. Pledged securities are held by the PDPC's agent in the name of the collateral pool.

The City's investment policy requires that securities purchased be held by a custodian, acting as an independent third party, in its safekeeping or trust department.

Interest Allocation

Interest earnings are distributed monthly among funds based on average cash balances. However, in certain cases where a fund's resources derive from another fund, investment income is reported in the fund that is providing the resources rather than the fund that reports the underlying investment. These special distributions include the following:

Fund Reporting Investment	Fund Receiving Investment Income
Fund 115 - Special Projects	Fund 002 - General Fund
Fund 160 - Rainy Day Fund	Fund 002 - General Fund
Fund 162 - Capital Improvement Fund - CIP 4	Fund 002 - General Fund
Fund 342 - City Facilities Construction Fund	Fund 002 - General Fund
Fund 354 - Parks CIP 3 Construction Fund	Fund 154 - Real Estate Excise Tax Fund

NOTE 5 - PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy the following January 1. New construction through August 31 is included in the annual tax levy the following January 1.

Property taxes levied by the County Assessor are based on 100% of market value. The taxes are collected by the County Treasurer and become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. The first half of real property taxes is due April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties of 3% to 11% if not paid as scheduled.

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 inflows of resources to account for delinquent taxes. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The tax rate for general City operations is limited by State law (RCW 84.52.043) to \$3.375 per \$1,000 of assessed value. An additional amount, up to \$0.225, may be levied as a contribution to the Firemen's Pension Fund if a report by a qualified actuary indicates that additional funds are required. The City maintains a Firemen's Pension Fund; thus the limit is \$3.600. This amount may be reduced for any of the following reasons:

- (1) **RCW 84.52.050** limits the total regular property taxes to one percent of assessed valuation or \$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 one percent limit.

- (2) **Initiative 747** passed by the voters in November of 2001 limits the amount by which a taxing jurisdiction can increase the amount of its regular property tax levy to the lesser of the Implicit Price Deflator (IPD) or one percent, plus adjustments for new construction and annexations. Tax increases higher than one percent must be approved by the voters at an election held according to RCW 84.55.050. A simple majority vote is required.

For 2019, the City levied the following property taxes on an assessed value of \$18,458,610,540. The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.

PURPOSE OF LEVY	LEVY RATE PER \$1,000	TOTAL LEVY AMOUNT
General government	\$2.0433	\$ 37,715,835
Emergency medical services	0.5000	9,229,305
TOTAL CITY LEVY	\$2.5433	\$ 46,945,140

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in governmental capital assets appears as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/19	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 12/31/19
Capital assets, not being depreciated or amortized:					
Land	\$ 60,409,823	\$ 726,400	\$ (1,203,878)	\$ -	\$ 59,932,345
Construction in progress*	4,685,810	19,231,949	(7,336,521)	(784,205)	15,797,033
Total capital assets, not being depreciated or amortized	65,095,633	19,958,349	(8,540,399)	(784,205)	75,729,378
Capital assets, being depreciated or amortized:					
Buildings	103,074,966	-	6,325,309	-	109,400,275
Improvements other than buildings	43,094,878	95,154	438,330	-	43,628,362
Infrastructure	274,804,877	2,142,350	537,432	(4,683,029)	272,801,630
Machinery and equipment	36,983,775	5,836,449	(31,606)	(3,074,965)	39,713,653
Intangibles	1,331,498	66,940	-	-	1,398,438
Total capital assets being depreciated or amortized	459,289,994	8,140,893	7,269,465	(7,757,994)	466,942,358
Less accumulated depreciation or amortization for:					
Buildings	(44,939,439)	(2,440,390)	-	-	(47,379,829)
Improvements other than buildings	(25,077,007)	(1,378,754)	-	-	(26,455,761)
Infrastructure	(85,887,691)	(5,757,828)	-	4,683,029	(86,962,490)
Machinery and equipment	(22,192,311)	(2,044,636)	17,905	3,021,588	(21,197,454)
Intangibles	(1,124,487)	(99,723)	-	-	(1,224,210)
Total accumulated depreciation and amortization	(179,220,935)	(11,721,331)	17,905	7,704,617	(183,219,744)
Total capital assets being depreciated or amortized, net	280,069,059	(3,580,438)	7,287,370	(53,377)	283,722,614
Governmental activities capital assets, net	\$ 345,164,692	\$ 16,377,911	\$ (1,253,029)	\$ (837,582)	\$ 359,451,992

* The deletion of construction in progress costs of \$784,205 in governmental activities represents project costs that did not result in a capital asset and that were expensed in the current year.

A summary of changes in business-type capital assets appears as follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE				ENDING BALANCE
	01/01/19	ADDITIONS	TRANSFERS	DELETIONS	
Capital assets, not being depreciated:					
Land	\$ 37,983,353	\$ 512,300	\$ 6,919,662	\$ -	\$ 45,415,315
Construction in progress*	27,613,376	34,847,025	(30,183,279)	(682,665)	31,594,457
Total capital assets, not being depreciated	65,596,729	35,359,325	(23,263,617)	(682,665)	77,009,772
Capital assets, being depreciated					
Buildings	242,415,591	-	-	-	242,415,591
Improvements other than buildings	611,773,140	214,074	21,611,746	-	633,598,960
Infrastructure	2,118,141	-	2,891,199	-	5,009,340
Machinery and equipment	46,550,271	4,915,513	31,606	(2,739,466)	48,757,924
Intangibles	16,201,205	-	-	(7,493)	16,193,712
Total capital assets being depreciated	919,058,348	5,129,587	24,534,551	(2,746,959)	945,975,527
Less accumulated depreciation for:					
Buildings	(84,769,305)	(4,874,644)	-	-	(89,643,949)
Improvements other than buildings	(210,185,415)	(12,854,742)	-	-	(223,040,157)
Infrastructure	(671,126)	(105,907)	-	-	(777,033)
Machinery and equipment	(27,648,513)	(2,787,552)	(17,905)	2,716,489	(27,737,481)
Intangibles	(7,034,561)	(259,145)	-	7,493	(7,286,213)
Total accumulated depreciation	(330,308,920)	(20,881,990)	(17,905)	2,723,982	(348,484,833)
Total assets being depreciated, net	588,749,428	(15,752,403)	24,516,646	(22,977)	597,490,694
Business-type activities capital assets, net	\$ 654,346,157	\$ 19,606,922	\$ 1,253,029	\$ (705,642)	\$ 674,500,466

* The deletion of construction in progress costs of \$682,665 in business-type activities represents project costs that did not result in a capital asset and that were expensed in the current year.

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

GOVERNMENTAL ACTIVITIES	
General government services	\$ 520,754
Police	858,574
Fire	869,080
Engineering & construction services	100,599
Transportation	5,494,643
Community services	362,002
Library	728,300
Culture and recreation	2,328,742
Judicial	175,700
Internal service allocated to business-type activities	282,936
Total depreciation - governmental activities	\$ 11,721,330
BUSINESS-TYPE ACTIVITIES	
Water	\$ 7,562,569
Sewer	9,557,185
Solid waste	484,326
Parking	12,503
Transit	3,317,815
Golf	230,530
Internal service allocated to business-type activities	(282,936)
Total depreciation - business-type activities	\$ 20,881,992
Total depreciation - all activities	\$ 32,603,322

NOTE 7 - PENSION PLANS

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (22,739,590)
Pension assets	\$ 38,637,901
Deferred outflows of resources	\$ 10,549,262
Deferred inflows of resources	\$ (24,934,315)
Pension expense/expenditures	\$ 1,570,770

STATE SPONSORED PENSION PLANS

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

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

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

* For employees participating in Judicial Benefit Multiplier Program (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 Fee	0.18%	

Employee PERS Plan 3		Varies
Total	12.83%	7.41%
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

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

The City's actual PERS plan contributions were \$3,170,621 to PERS Plan 1 and \$4,672,076 to PERS Plan 2/3 for the year ended December 31, 2019.

Public Safety Employees' Retirement System (PSERS 2)

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:

- PSERS 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 and Cannabis 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%
July – 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 plan contributions were \$68,487 to PSERS Plan 2 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% 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 I 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 includes 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%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The City’s actual contributions to the plan were \$2,337,466 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 \$1,515,116.

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 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	\$ 21,823,329	\$ 17,426,341	\$ 13,611,376
PERS 2/3	40,750,511	5,313,249	(23,765,366)
PSERS 2	264,062	(25,578)	(253,114)
LEOFF 1	(7,295,232)	(8,917,797)	(10,318,726)
LEOFF 2	(5,405,620)	(29,071,509)	(48,388,290)

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 \$22,739,590 and pension assets of \$38,014,884 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 17,426,341
PERS 2/3	5,313,249
PSERS 2	(25,578)
LEOFF 1	(8,917,797)
LEOFF 2	(29,071,509)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ 8,917,797	\$ 29,071,509
State's proportionate share of the net pension asset associated with the employer	60,319,757	19,037,943
TOTAL	69,237,554	48,109,452

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	0.475870%	0.453179%	(0.022691%)
PERS 2/3	0.565717%	0.547002%	(0.018715%)
PSERS 2	0.210589%	0.196691%	(0.013898%)
LEOFF 1	0.446110%	0.451166%	0.005056%
LEOFF 2	1.277707%	1.254871%	(0.022836%)

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	\$ (257,027)
PERS 2/3	1,048,552
PSERS 2	41,459
LEOFF 1	(551,685)
LEOFF 2	585,862
TOTAL	867,161

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:

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,635,813	\$ (1,667,364)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (15,827,646)
Changes of assumptions	\$ 184,154	\$ (5,514,484)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 845,946	\$ (1,768,793)
Contributions subsequent to the measurement date	\$ 5,486,882	\$ -
TOTAL	\$ 10,152,795	\$ (24,778,287)

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	\$ -	\$ (1,164,226)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 1,637,517	\$ -
TOTAL	\$ 1,637,517	\$ (1,164,226)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,522,258	\$ (1,142,319)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (7,733,927)
Changes of assumptions	\$ 136,055	\$ (2,229,262)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 70,405	\$ (1,396,447)
Contributions subsequent to the measurement date	\$ 2,576,834	\$ -
TOTAL	\$ 4,305,552	\$ (12,501,955)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,600	\$ (2,262)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (44,417)
Changes of assumptions	\$ 206	\$ (13,746)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 274	\$ (3,783)
Contributions subsequent to the measurement date	\$ 37,119	\$ -
TOTAL	\$ 59,199	\$ (64,208)

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	\$ -	\$ (924,508)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (924,508)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,091,955	\$ (522,783)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (5,960,568)
Changes of assumptions	\$ 47,893	\$ (3,271,476)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 775,267	\$ (368,563)
Contributions subsequent to the measurement date	\$ 1,235,412	\$ -
TOTAL	\$ 4,150,527	\$ (10,123,390)

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:	PERS1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2020	\$ (257,009)	\$ (2,576,010)	\$ (7,821)	\$ (214,738)	\$ (1,505,293)
2021	(608,781)	(4,243,702)	(14,805)	(473,301)	(3,084,593)
2022	(217,249)	(2,034,729)	(9,172)	(171,747)	(1,297,772)
2023	(81,187)	(1,216,506)	(5,066)	(64,722)	(665,650)
2024	-	(628,514)	(961)	-	(188,051)
Thereafter	-	(73,776)	(4,303)	-	(466,916)
Total	(1,164,226)	(10,773,237)	(42,128)	(924,508)	(7,208,275)

FIRE PENSION FUND / POLICE PENSION FUND

Plan Description

The City is the administrator of the City of Everett Fire and Police Pension Fund, shown as trust funds in the City's financial reports. Separate financial statements are not issued, but are included in this note. Both systems are closed single-employer defined benefit pension plans established in conformance with RCWs 41.16, 41.18 and 41.20. These plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firefighters and police officers employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the plans consists of paying all benefits,

including payment to beneficiaries, for members who retired prior to March 1, 1970 and excess benefits over LEOFF for covered members who retired or will retire after March 1, 1970.

The Fire Pension Fund is administered by a fire pension board comprised of the mayor or a designated representative who shall be an elected official of the City, who shall be the chairperson of the board, the City council finance committee chairperson, the City clerk, and two regularly employed or retired fire fighters elected by secret ballot of the employed and retired fire fighters.

The Police Pension Fund is administered by a police pension board comprised of the mayor or a designated representative who shall be an elected official of the City, the City clerk, the City treasurer, president of the City council, and three active or retired members of the police department elected by active and retired members of the police department.

Membership of the Plans consisted of the following as of December 31, 2019:

Plan Members	Fire Pension	Police Pension
Inactive employees (or their beneficiaries) currently receiving benefits	86	43
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	0	0

Fire Pension members are eligible for retirement after serving 25 years and reaching the age of 50. Members retiring with 25 years of service are paid 50 percent of the basic salary attached to the rank held at the date of retirement. Members retiring with more than 25 years of service will receive an additional 2% of their base for each full year of additional service up to a maximum of five additional years.

Police Pension members are eligible for retirement after serving for 25 years. Members retiring with 25 years of service are paid 50 percent of the basic salary attached to the position held for the year preceding the date of retirement, up to the position of captain. Members retiring with more than 25 years of service will receive an additional 2% of their base for each full year of additional service up to a maximum of five additional years.

There were no changes in benefit provisions in the current year.

Summary of Significant Accounting Policies

The Fire Pension Fund and the Police Pension Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments

Investments are reported at fair value, as provided by the custodian. It is the policy of the Pension Board to pursue an investment strategy based on the prudent person standard, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of their capital as well as the probable income to be derived. With the exception of US Treasury, no more than 50% of the total investment portfolio can be invested in a single security type and no more than 25% can be invested with a single financial institution.

Concentrations

The pension plans investments are mostly held in the following government sponsored enterprise (GSE) issued securities:

Agencies	Police		Fire	
FFCB	1,093,987	22%	2,483,316	24%
FHLB	1,227,640	25%	2,413,531	23%
FHLMC	1,167,130	24%	2,458,179	24%
FNMA	1,201,199	24%	2,390,477	23%
TREASURY	216,840	4%	549,763	5%
Total Investments	4,906,796	100%	10,295,266	100%

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.47% for the Fire Pension Fund and 4.97% for the Police Pension Fund. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset)

	Fire Pension	Police Pension
Total Pension Liability	\$ 10,177,573	\$ 5,053,729
Plan Fiduciary Net Position	10,614,028	5,240,291
Net Pension Liability (Asset)	\$ (436,455)	\$ (186,562)
 Plan fiduciary net position as a percentage of the total pension liability	 104%	 104%

The net pension asset is a result of the City overpaying its annual required pension cost.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 67.

The actuarial assumptions used in the valuation include:

- Valuation date of January 1, 2019
- Measurement date of December 31, 2019
- Inflation rate of 2.25%
- Salary increase including inflation of 3.00%
- Mortality rates based on the RP-2000 mortality table with generational projection using 100% of Projection Scale BB with ages set back one year for males and forward one year for females.
- Actuarial cost method used was Entry Age Normal

Discount Rate

The discount rate used to measure the total pension liability was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds maturing in 20 years. The rates which were effective as of 12/26/2019 was 2.74%. This rate was rounded up to the nearest ¼%, which results in 2.75%. Using 2.75% for both the long-term expected rate of return and the bond index allows the use of 2.75% as the single discount rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (1.75%) or 1% higher (3.75%) than the current rate:

City's net pension liability (asset)	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Fire Pension	\$ 494,500	\$ (436,455)	\$ (1,244,805)
Police Pension	\$ 184,749	\$ (186,562)	\$ (516,017)

Changes in the Net Pension Liability

	Fire Pension			Police Pension		
	Fire Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Police Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 9,985,587	\$ 10,156,919	\$ (171,332)	\$ 5,090,333	\$ 5,263,025	\$ (172,692)
Changes for the Year:						
Service Cost	-	-	-	-	-	-
Interest	385,762	-	385,762	194,189	-	194,189
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(166,025)	-	(166,025)	1,663	-	1,663
Changes in assumptions	662,070	-	662,070	243,421	-	243,421
Contributions - employer	-	415,502	(415,502)	-	200,002	(200,002)
Contributions - State Fire Ins Prem	-	180,065	(180,065)	-	-	-
Net investment income	-	551,363	(551,363)	-	253,141	(253,141)
Difference between expected and actual earnings *	-	-	-	-	-	-
Benefit payment, including refunds of contributions	(689,821)	(689,821)	-	(475,877)	(475,877)	-
Administrative expense	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net changes	191,986	457,109	(265,123)	(36,604)	(22,734)	(13,870)
Balance at 12/31/2019	\$ 10,177,573	\$ 10,614,028	\$ (436,455)	\$ 5,053,729	\$ 5,240,291	\$ (186,562)

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

	Fire Pension		Police Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	170,789	-	69,650	-
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	-	-	-	-
Total	\$ 170,789	\$ -	\$ 69,650	\$ -

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, 2019. 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:	Fire Pension	Police Pension
2020	\$ 127,601	\$ 40,059
2021	\$ 59,339	\$ 28,949
2022	\$ 13,238	\$ 10,257
2023	\$ (29,389)	\$ (9,615)
2024	\$ -	\$ -
Thereafter	\$ -	\$ -

Below are the Statement of Net Position and Statement of Changes in Net Position for the Police and Fire Pension Trust:

**Combining Statement of Fiduciary Net Position
Police and Fire Pension Trust Funds
December 31, 2019**

	637a POLICE PENSION FUND	638a FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS
ASSETS			
Cash and cash equivalents	\$ 325,393	\$ 318,687	\$ 644,080
Investments			
Agency Bonds	4,906,796	10,295,266	15,202,062
Interest receivable	6,505	-	6,505
Other Prepayments	1,597	75	1,672
TOTAL ASSETS	5,240,291	10,614,028	15,854,319
LIABILITIES			
TOTAL LIABILITIES	-	-	-
NET POSITION			
Restricted for pension benefits and other purposes	\$ 5,240,291	\$ 10,614,028	\$ 15,854,319

**Combining Statement of Changes in Fiduciary Net Position
Police and Fire Pension Trust Funds
December 31, 2019**

	637a POLICE PENSION FUND	638a FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS
ADDITIONS:			
Contributions			
Employer	\$ 200,002	\$ 415,502	\$ 615,504
State	-	180,065	180,065
Total contributions	200,002	595,567	795,569
Investment income			
Interest	116,469	242,984	359,453
Net appreciation (depreciation) in fair value	136,672	308,379	445,051
Net investment income	253,141	551,363	804,504
TOTAL ADDITIONS	453,143	1,146,930	1,600,073
DEDUCTIONS:			
Benefits	475,876	689,822	1,165,698
TOTAL DEDUCTIONS	475,876	689,822	1,165,698
CHANGE IN NET POSITION			
Pension benefits	(22,733)	457,108	434,375
NET POSITION RESTRICTED FOR EMPLOYEES' PENSION BENEFITS			
Employees' pension benefits, January 1	5,263,024	10,156,920	15,419,944
NET POSITION - ENDING	\$ 5,240,291	\$ 10,614,028	\$ 15,854,319

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Aggregate OPEB Amounts - All Plans	Total
OPEB liabilities	\$ (48,489,965)
OPEB assets	\$ -
Deferred outflows of resources	\$ 282,531
Deferred inflows of resources	\$ (211,807)
OPEB expense/expenditures	\$ 5,143,956

Plan Descriptions

The City is the administrator of the City of Everett Fire and Police Other Postemployment Benefit (OPEB) Plans. Both plans are closed single-employer defined benefit healthcare plans shown as trust funds in the City's financial reports. Separate financial statements are not issued, but are included in this note. In accordance with RCW 41.26, the City provides lifetime medical care for firefighters and law enforcement officers employed prior to October 1, 1977. The City is self-insured and pays actual claims incurred by plan participants. The City carries individual and aggregate stop loss insurance to mitigate the risk associated with being self-insured. The plans are administered by the same boards that administer the Fire and Police Pension Plans as described in Note 7.

Neither Fire nor Police retirees contribute towards the cost of his/her medical care. The primary sources of funding for both plans are property taxes levied by the City and interest earnings. In addition, the City receives a small Medicare D subsidy. In 2019, the City received \$115,940 in Medicare D reimbursements, which were split between the two funds. Administrative costs are financed through interest earnings.

There are no active firefighter plan participants and 103 firefighter retirees currently receiving benefits. There are no active law enforcement plan participants and 76 law enforcement retirees currently receiving benefits.

Summary of Significant Accounting Policies

The Fire Healthcare Fund and the Police Healthcare Fund financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments

Investments are reported at fair value, as provided by the custodian. It is the policy of the Pension Board to pursue an investment strategy based on the prudent person standard, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of their capital as well as the probable income to be derived. With the exception of US Treasury, no more than 50% of the total investment portfolio can be invested in a single security type and no more than 25% can be invested with a single financial institution.

Concentrations

The OPEB plans investments are mostly held in the following government sponsored enterprise (GSE) issued securities:

Agencies	Police		Fire	
FFCB	2,436,786	22%	3,970,001	24%
FHLB	2,739,766	25%	3,859,903	23%
FHLMC	2,602,597	24%	3,930,344	24%
FNMA	2,679,822	24%	3,823,532	23%
TREASURY	491,555	4%	867,355	5%
Total Investments	10,950,526	100%	16,451,135	100%

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.23% for the Fire OPEB Fund and 4.58% for the Police OPEB Fund. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB Liability

	Fire OPEB	Police OPEB
Total OPEB Liability	\$ 43,281,008	\$ 33,813,781
Plan Fiduciary Net Position	17,023,319	11,581,505
Net OPEB Liability (Asset)	\$ 26,257,689	\$ 22,232,276
Plan fiduciary net position as a percentage of the total OPEB liability	39%	34%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date of December 31, 2019.

- Actuarial Cost Method Entry Age Normal
- Amortization Method for determination of Annual Required Contribution (accounting expense) Level dollar
- Amortization Method for determination of funding contribution Increase with 2.25% inflation assumption
- Remaining Amortization Period 14 years
- Actuarial assumptions
 - Investment Rate 3.75%
 - Medical Trend
 - Pre-65 (2017 - 2034) 6.8% - 5.0%
 - Post-65 (2017 - 2034) 8.8% - 5.0%
- Long-Term Care Inflation Rate 4.5%

Mortality rates were based on the RP-2000 Mortality Table with generational projection using 100% of Projection Scale BB, with ages set back one year for males and set forward one year for females.

Discount Rate

The discount rate used to measure the total OPEB liability was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds maturing in 20 years. The rates which were effective as of 12/26/2019 was 2.74%. This rate was rounded up to the nearest ¼%, which results in 2.75%. Using 2.75% for both the long-term expected rate of return and the bond index allows the use of 2.75% as the single discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.75%) or 1% higher (3.75%) than the current rate:

	1% Decrease	Current	1% Increase
City's net OPEB liability (asset)	(1.75%)	Discount Rate (2.75%)	(3.75%)
Fire OPEB	\$ 32,125,623	\$ 26,257,689	\$ 21,378,104
Police OPEB	\$ 26,973,704	\$ 22,232,276	\$ 18,309,450

Changes in the Net OPEB Liability

	Fire OPEB			Police OPEB		
	Fire OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Police OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 12/31/2018	\$ 43,166,944	\$ 17,296,642	\$ 25,870,302	\$ 30,365,180	\$ 11,370,694	\$ 18,994,486
Changes for the Year:						
Service Cost	-	-	-	-	-	-
Interest	1,694,851	-	1,694,851	1,195,509	-	1,195,509
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(615,997)	-	(615,997)	1,758,417	-	1,758,417
Changes in assumptions	642,326	-	642,326	1,459,046	-	1,459,046
Contributions - employer	-	509,090	(509,090)	-	703,706	(703,706)
Contributions - employees	-	-	-	-	-	-
Net investment income	-	872,846	(872,846)	-	509,983	(509,983)
Difference between expected and actual earnings *	-	-	-	-	-	-
Benefit payment, including refunds of contributions	(1,607,116)	(1,607,116)	-	(964,371)	(964,371)	-
Administrative expense	-	(48,143)	48,143	-	(38,507)	38,507
Other changes	-	-	-	-	-	-
Net changes	114,064	(273,323)	387,387	3,448,601	210,811	3,237,790
Balance at 12/31/2019	\$ 43,281,008	\$ 17,023,319	\$ 26,257,689	\$ 33,813,781	\$ 11,581,505	\$ 22,232,276

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

	Fire OPEB		Police OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	7,390	-	63,334	-
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	-	-	-	-
Total	\$ 7,390	\$ -	\$ 63,334	\$ -

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Fire OPEB	Police OPEB
2020	\$ 16,041	\$ 25,183
2021	\$ 16,041	\$ 25,183
2022	\$ 16,043	\$ 25,184
2023	\$ (40,735)	\$ (12,216)
Thereafter	\$ -	\$ -

Below are the Statement of Net Position and Statement of Changes in Net Position for the Police and Fire OPEB Trust funds:

**Combining Statement of Fiduciary Net Position
Police and Fire Health Care Trust Funds
December 31, 2019**

	637b POLICE HEALTHCARE FUND	638b FIRE HEALTHCARE FUND	TOTAL HEALTHCARE TRUST FUNDS
ASSETS			
Cash and cash equivalents	\$ 647,764	\$ 611,233	\$ 1,258,997
Agency Bonds	10,950,526	16,451,135	27,401,661
Interest receivable	10,805	-	10,805
TOTAL ASSETS	11,609,095	17,062,368	28,671,463
LIABILITIES			
Accounts payable	27,590	39,049	66,639
TOTAL LIABILITIES	27,590	39,049	66,639
NET POSITION			
Restricted for pension benefits and other purposes	\$ 11,581,505	\$ 17,023,319	\$ 28,604,824

**Combining Statement of Changes in Fiduciary Net Position
Police and Fire Healthcare Trust Funds
December 31, 2019**

	637b POLICE HEALTHCARE FUND	638b FIRE HEALTHCARE FUND	TOTAL HEALTHCARE TRUST FUNDS
ADDITIONS:			
Contributions			
Employer	\$ 703,706	\$ 509,090	\$ 1,212,796
Other contributions	-	2,614	2,614
Total contributions	703,706	511,704	1,215,410
Investment income			
Interest	252,702	382,194	634,896
Net appreciation (depreciation) in fair value	257,281	488,038	745,319
Net investment income	509,983	870,232	1,380,215
TOTAL ADDITIONS	1,213,689	1,381,936	2,595,625
DEDUCTIONS:			
Benefits	964,371	1,607,116	2,571,487
Administrative expense	38,507	48,143	86,650
TOTAL DEDUCTIONS	1,002,878	1,655,259	2,658,137
CHANGE IN NET POSITION			
Postemployment healthcare benefits	210,811	(273,323)	(62,512)
NET POSITION RESTRICTED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS			
Postemployment healthcare benefits, January 1	11,370,694	17,296,642	28,667,336
NET POSITION - ENDING	\$ 11,581,505	\$ 17,023,319	\$ 28,604,824

NOTE 9 - RISK MANAGEMENT

The City of Everett is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters.

The City combines the reporting of risk management activities into one internal service fund – The Self-Insurance Fund – to account for and finance uninsured risks. All departments of the City make payments through interfund assessments to the self-insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

For the year ending 12/31/2019, the self-insured retention for general liability, auto liability (excluding transit), law enforcement liability, errors and omissions liability and employment practices liability was \$1,250,000 per occurrence. Workers' compensation is self-insured, and effective July 1, 2014, subject to a maximum retention of \$1,500,000 for police officer, fire fighter and bus driver classifications per occurrence, and \$1,000,000 for all other classifications per occurrence. Unemployment compensation costs are self-insured by paying the actual benefit cost.

The liability arising out of the operations of the George Culmback Dam are also self-insured. The Culmback Dam is a joint project with Snohomish County PUD No. 1. As such, payment of claims and expenses would be jointly shared between the two entities. To date, there has never been a claim made arising out of the dam operations. The reserve balance in said fund is sufficient to address the current self-insured retention of \$2,000,000.

The City purchases commercial insurance for claims in excess of the self-insured retentions and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Everett Transit is a member of the Washington State Transit Insurance Pool (WSTIP). Liability coverage is provided through the Pool with limits of \$20,000,000 and a \$0 deductible for auto and general liability, and limits of \$20,000,000 with a \$5,000 deductible for public officials liability.

Claims liabilities are based on the estimated ultimate cost of settling the claim, including case reserves and incurred but not reported (IBNR) claims. Case reserves for general, auto (excluding Transit), employment and law enforcement liabilities are estimated and projected by the Risk Management Division and the City's third-party administrator on a case-by-case basis using historical experience. Case reserves for Transit liability claims are estimated by the Transit pool, WSTIP. Case reserves for workers' compensation claims are estimated by the City's third-party administrator using statistical reserving formulas and historical experience. Claims liabilities include estimates for expenses related to adjusting/investigating and defending the claim or lawsuit.

At December 31, 2019, the estimated liability totaled \$11,055,639, consisting of \$7,187,212 for tort liability, \$3,793,652 for workers' compensation, and \$74,775 for unemployment compensation. These estimates are based on the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are not discounted.

Changes in the funds' claims liability amounts in fiscal 2018 and 2019 were:

	BALANCE AT BEGINNING OF FISCAL YEAR	CURRENT YEAR CLAIMS	CURRENT YEAR CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR END
Tort Liability:					
2019	5,105,887	588,681	2,292,181	(799,537)	7,187,212
2018	4,433,267	460,184	1,458,258	(1,245,822)	5,105,887
Workers' Compensation:					
2019	3,335,431	1,270,198	1,048,791	(1,860,768)	3,793,652
2018	4,399,890	994,713	(84,184)	(1,974,988)	3,335,431
Unemployment Compensation:					
2019	100,794	86,279	2,741	(115,039)	74,775
2018	108,601	116,301	30,960	(155,068)	100,794

In 1995, the City created a self-insured health benefits program for its employees as a means to contain rising health benefit costs. Health Benefits Reserve Fund 508 was established to account for the disbursement of actual medical expenses, associated administrative costs, and reserves for this program. The City added a self-insured dental benefit program in 2016.

In order to mitigate its risk exposure, the City holds individual and aggregate stop loss insurance, and maintains both claims fluctuation and liability reserves. The claims fluctuation liability reserve was \$2,641,094 at December 31, 2019 based on an analysis of the most recent twelve months of incurred claims with applied monthly completion factors, as required by Washington Administrative Code (WAC) 200-110-040(a).

Changes in the fund's claims liability in fiscal years 2018 and 2019 appear as follows:

	BALANCE AT BEGINNING OF FISCAL YEAR	CURRENT YEAR CLAIMS	CURRENT YEAR CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR END
IBNR Liability					
2019	3,196,634	14,663,023	(555,541)	(14,663,022)	2,641,094
2018	2,587,463	18,707,756	21,451	(18,120,036)	3,196,634

NOTE 10 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to finance the purchase, acquisition, and/or the construction of capital assets. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 25-year serial bonds.

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

NAME OF ISSUE / PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
				ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
12 LTGO and Refunding Bonds - Capital	10-04-12	12-01-26	2.00-4.00%	\$ 13,935,000	\$ 4,775,000	\$ 9,160,000
14 Floating Rate LTGO Bonds - Capital	11-03-14	12-13-34	Variable	35,865,000	35,865,000	-
19 LTGO and Refunding Bonds - Capital	11-04-19	12-01-34	3.00-5.00%	20,070,000	-	20,070,000
TOTAL GENERAL OBLIGATION BONDS				\$ 69,870,000	\$ 40,640,000	\$ 29,230,000
Business Activities						
10 LTGO Bonds - capital	03-26-10	12-01-19	1.00-4.25%	\$ 10,500,000	\$ 10,500,000	\$ -
Total Business Activities				\$ 10,500,000	\$ 10,500,000	\$ -
TOTAL GENERAL OBLIGATION BONDS				\$ 80,370,000	\$ 51,140,000	\$ 29,230,000

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

GOVERNMENTAL ACTIVITIES			
YEAR ENDING			TOTAL
DECEMBER 31,	PRINCIPAL	INTEREST	REQUIREMENTS
2020	2,410,000	1,275,305	3,685,305
2021	2,940,000	1,125,490	4,065,490
2022	2,505,000	1,002,940	3,507,940
2023	1,965,000	916,090	2,881,090
2024	1,520,000	852,215	2,372,215
2025 - 2029	8,050,000	3,253,970	11,303,970
2030 - 2034	9,840,000	1,165,700	11,005,700
TOTAL	\$29,230,000	\$ 9,591,710	\$ 38,821,710

Interest on the 2014 Floating Rate Bonds is paid at a rate to be determined weekly using the rate equal to the weekly Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service.

The revenue bonds listed below will be repaid solely from water/sewer customer net revenues and are payable through 2040. The total principal and interest remaining to be paid on the bonds is \$213,230,066. Principal and interest expense for the current year and total customer net revenues were \$14,294,951 and \$49,698,024 respectively.

Proceeds from the bonds were used for capital purposes related to improving the water/sewer system, including water distribution system improvements, pipeline replacements, water tanks rehabilitation, wastewater pollution control facility expansion, sewer system capacity improvements, and sewer system replacements.

Revenue bonds outstanding at December 31, 2019 are as follows:

NAME OF ISSUE / PURPOSE	DATE OF		INTEREST	AMOUNT		DEBT
	DATE OF	FINAL		ORIGINALLY	REDEMPTIONS	
	ISSUE	MATURITY	RATE(S)	ISSUED	TO DATE	OUTSTANDING
11 Water/Sewer Revenue Bonds - capital	03-09-11	12-01-35	2.5-5.0%	51,000,000	49,225,000	1,775,000
13 Water/Sewer Revenue Bonds - capital	03-01-13	12-01-30	3.0-5.0%	62,145,000	15,840,000	46,305,000
15 Water/Sewer Revenue Bonds - capital	11-03-15	12-01-40	2.0-5.0%	50,525,000	6,025,000	44,500,000
16 Water/Sewer Revenue Bonds - capital	12-01-16	12-01-35	3.1-5.0%	68,050,000	1,355,000	66,695,000
TOTAL REVENUE BONDS				\$ 231,720,000	\$ 72,445,000	\$ 159,275,000

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

BUSINESS-TYPE ACTIVITIES			
YEAR ENDING			TOTAL
DECEMBER 31,	PRINCIPAL	INTEREST	REQUIREMENTS
2020	8,135,000	6,162,701	14,297,701
2021	8,485,000	5,807,251	14,292,251
2022	8,855,000	5,435,201	14,290,201
2023	9,250,000	5,045,701	14,295,701
2024	9,660,000	4,637,501	14,297,501
2025 - 2029	54,285,000	17,173,988	71,458,988
2030 - 2034	41,035,000	7,542,182	48,577,182
2035 - 2039	16,645,000	2,048,169	18,693,169
2040	2,925,000	102,375	3,027,375
TOTAL	\$ 159,275,000	\$ 53,955,066	\$ 213,230,066

Refunded Debt

In 2019, the City issued \$20,070,000 of general obligation refunding bonds and used existing resources of \$1,437,664 to purchase US government securities that were placed in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments on \$25,630,000 of refunded 2014 Floating Rate Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$984,604 and resulted in an economic gain of \$863,020.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2019, \$115,050,000 of bonds outstanding are considered defeased.

Direct Borrowing

The City has received government loans and other notes to provide for construction of capital projects. The Governmental Activities Public Works Trust Fund loan and tax exempt installment loans will be paid from the Capital Improvement Reserve Fund. The Business Activities Public Works Trust Fund loans, State Revolving Fund loans, and property purchase loans will be paid from water/sewer revenues.

Direct borrowing outstanding, as of December 31, 2019, is presented below:

NAME OF ISSUE/PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
				ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
Governmental Activities						
Public Works Trust Fund Loan - 112th Street	12-22-02	07-01-22	0.50%	1,000,000	834,704	165,296
Tax Exempt Installment Loan - LED Lighting	08-25-15	05-07-30	2.97%	1,362,903	314,299	1,048,604
Total Governmental Activities				\$ 2,362,903	\$ 1,149,003	\$ 1,213,900
Business Activities						
PWTFL Sewer Basement Flooding Reduction	07-01-01	07-01-21	1.00%	\$ 1,881,000	\$ 1,683,000	\$ 198,000
PWTFL Water Transmission Line	07-01-01	07-01-21	1.00%	4,252,792	3,805,817	446,975
PWTFL Cross-Town Effluent Pipeline	05-13-03	07-01-23	0.50%	5,490,000	4,331,000	1,159,000
PWTFL Water Transmission Lines #2-3	11-17-03	11-17-23	0.50%	841,671	662,016	179,655
PWTFL Treatment Plant Upgrade	04-25-05	07-01-25	0.50%	9,500,000	6,333,333	3,166,667
PWTFL Water Pollution Facility Expansion	06-25-06	07-01-26	0.50%	7,000,000	4,421,053	2,578,947
SRF Clearwell No. 2	03-03-06	10-01-25	1.50%	4,040,000	2,704,558	1,335,442
SRF Clearwell No. 2	12-21-07	10-01-26	1.50%	4,040,000	2,551,579	1,488,421
SRF Clearwell No. 2	03-03-08	10-01-27	1.50%	3,030,000	1,754,211	1,275,789
SRF Clearwell No. 2	08-22-08	10-01-28	1.50%	4,040,000	2,120,124	1,919,876
SRF Recovered Water Outfall	08-05-09	10-01-29	1.50%	1,376,473	651,974	724,499
SRF Bond Street CSO	02-26-14	03-06-33	2.90%	1,994,497	519,199	1,475,298
WPTFL WPCF Plant Expansion Phase C	01-31-13	06-01-32	0.50%	10,000,000	2,870,555	7,129,445
Mukilteo Water District	01-01-11	09-30-24	7.82%	140,883	111,687	29,196
Mailfinance Inc.	10-30-17	07-31-21	2.53%	70,214	40,550	29,664
Total Business Activities				\$ 57,697,530	\$ 34,560,656	\$ 23,136,874
TOTAL OTHER LONG-TERM DEBT				\$ 60,060,432	\$ 35,709,658	\$ 24,350,774

Annual debt service requirements to maturity for direct borrowing are as follows:

YEAR ENDING DECEMBER 31,	GOVERNMENTAL ACTIVITES			BUSINESS-TYPE ACTIVITES		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2020	137,098	31,969	169,067	3,097,948	228,259	3,326,208
2021	139,533	29,259	168,792	3,091,719	196,056	3,287,775
2022	142,040	26,475	168,515	2,761,587	165,268	2,926,855
2023	89,524	23,618	113,142	2,764,399	140,256	2,904,655
2024	92,183	20,959	113,142	2,432,640	115,161	2,547,801
2025 - 2029	503,644	62,066	565,710	6,903,849	275,622	7,179,472
2030 - 2032	109,879	3,263	113,142	2,084,730	42,467	2,127,198
TOTAL	\$ 1,213,900	\$ 197,610	\$ 1,411,510	\$ 23,136,874	\$ 1,163,090	\$ 24,299,963

Bond Covenants, Limitations and Restrictions

At December 31, 2019, restricted assets of enterprise funds include \$ 4,690,569 for bond redemption. The City has also purchased a surety policy to cover all outstanding Water and Sewer Revenue Bonds. These represent redemption funds and reserve requirements as contained in the various bond ordinances.

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The outstanding tax exempt installment loan from direct borrowings related to government-type activities of \$1,048,604 contains a provision that in an event of default, (1) outstanding amounts are due immediately, (2) properties acquired using the loan proceeds may be repossessed and disposed of.

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the City's assessed valuation, for a total debt capacity of seven and one-half percent (7.5%). Allowable uses of these segments are as follows:

Segment 1 - General Governmental Purposes

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

Segment 2 - City-Owned Water and Sewer Purposes

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

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

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic development with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

At December 31, 2019 the debt limits for the City were as follows:

	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	Without Vote (Councilmanic)	With Vote	With Vote	With Vote
	1.50%	1.00%	2.50%	2.50%
Legal Limits, Net	\$ 276,879,158	\$ 184,586,106	\$ 461,465,264	\$ 461,465,264
Net Outstanding Indebtedness	30,443,900	-	-	-
Margin Available	\$ 246,435,258	\$ 184,586,106	\$ 461,465,264	\$ 461,465,264

Only general obligation debt is subject to the legal debt limit capacity restrictions. Revenue bonds and Local Improvement District (LID) bonds are not limited because no taxing power or general fund pledge is provided as security.

NOTE 11 - LEASES AND OTHER CONTRACTUAL COMMITMENTS

Operating Leases and Other Contractual Commitments

The City leases equipment and office and storage space under non-cancelable operating leases. Total operating lease expenditures for 2019 were \$634,893 in governmental activities and \$668,907 in business-type activities. The City also contracts for certain professional services, such as the management of golf courses and parking facilities and the monitoring and maintenance of equipment such as elevators, heating, ventilation and air conditioning, and fire alarm systems in City buildings. Commitments under lease and professional service contractual agreements provide for minimum annual payments as follows:

Year Ending December 31	Leases	Professional Services
2020	\$ 465,752	\$ 6,716,590
2021	-	1,746,961
2022	-	284,861
2023	-	87,337
2024	-	58,520
Total	<u>\$ 465,752</u>	<u>\$ 8,894,269</u>

Capital Leases

The City's Water and Sewer Utility Fund have entered into capital leases to finance the acquisition of mail machines. The leases were recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases as of December 31, 2019 appear as follows:

	Governmental Fund	Enterprise Funds
Machinery and equipment	\$ -	\$ 70,214
Less accumulated depreciation	-	(35,107)
Machinery and equipment, net of depreciation	<u>\$ -</u>	<u>\$ 35,107</u>

The future minimum lease obligations and the net present value of minimum lease payments as of December 31, 2019 appear as follows:

	Year Ending December 31	Governmental Fund	Enterprise Funds
	2020	-	21,564
	2021	-	10,782
Total minimum lease payments		-	32,346
Less amounts attributable to interest		-	(2,681)
Net present value of minimum lease payments		\$ -	\$ 29,665

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 major significant outstanding contract obligations are summarized as follows:

PROJECT	Expended To Date	Remaining Commitment
Various City Facilities Roofing/Siding projects	\$ 867,587	\$ 499,446
Alverson Stormwater Separation Project	1,315,991	144,191
Cleveland Ave Sewer System Replacement	5,771,225	216,687
Everett Downtown Streetscape Rucker - Hoyt	6,683,922	3,579,717
Grand Avenue Park Bridge	11,972,645	2,156,696
North Wetmore Stormwater Separation	3,221,236	174,499
Pacific Ave to Interurban Trail Bicycle Safety Project	303,689	216,467
Watermain Replacement "Q" Evergreen Way	1,630,841	198,077
Watermain Replacement "U"	-	1,698,633
WPCF FEN Chlorination Building Upgrade	7,528,021	205,697
Everett parks improvement projects	4,887,574	3,001,782
Total	<u>\$ 44,182,733</u>	<u>\$ 12,091,893</u>

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES

Changes in Long-term Liabilities

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

	Beginning Balance 01/01/19	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 35,590,000	\$ 20,070,000	\$ (26,430,000)	29,230,000	\$ 2,410,000
Plus deferred amounts:					
For issuance premiums	563,050	4,306,966	(70,381)	4,799,635	357,512
Total bonds payable:	36,153,050	24,376,966	(26,500,381)	34,029,635	2,767,512
Direct Borrowing	1,348,633	-	(134,733)	1,213,900	137,098
Pollution remediation liability	3,349,457	-	-	3,349,457	1,104,457
Asset retirement obligation	-	270,000	-	270,000	-
OPEB Liabilities	44,864,787	3,889,937	(264,759)	48,489,965	-
Net Pension Liabilities	17,181,524	13,680,197	(17,181,524)	13,680,197	-
Claims and judgements	11,738,746	19,951,894	(17,993,907)	13,696,733	7,113,264
Compensated absences	14,061,186	9,470,254	(9,311,208)	14,220,232	4,680,976
Governmental activity long-term liabilities:	\$ 128,697,383	\$ 71,639,248	\$ (71,386,512)	\$ 128,950,119	\$ 15,803,307
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
Revenue bonds	167,020,000	-	(7,745,000)	159,275,000	8,135,000
Plus deferred amounts:					
For issuance premiums	14,030,160	-	(1,071,823)	12,958,337	1,068,973
Total bonds payable:	182,050,160	-	(9,816,823)	172,233,337	9,203,973
Direct Borrowing	26,230,402	-	(3,093,528)	23,136,874	3,097,948
Pollution remediation liability	1,121,500	-	(677,908)	443,592	143,592
Net Pension Liabilities	13,732,715	9,059,393	(13,732,715)	9,059,393	-
Compensated absences	2,655,677	3,573,317	(3,402,922)	2,826,072	1,434,132
Business-type activity long-term liabilities:	\$ 225,790,454	\$ 12,632,710	\$ (30,723,896)	\$ 207,699,268	\$ 13,879,645

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to internal service funds are included as part of the above totals for governmental activities. At year-end \$165,662 of internal service funds compensated absences and \$3,277,523 of internal service funds pension cost liability are included in the above amounts.

Claims and judgments and OPEB liabilities are generally liquidated by the general fund. Compensated absences and pension liabilities are liquidated by the funds in which the liabilities are recorded.

NOTE 13 - CONTINGENCIES AND LITIGATION

In the normal course of its various operations, the City is involved in lawsuits and is the recipient of claims for damages alleging the City is responsible for damage incurred by third parties. Claims and/or litigation arise in such areas as police civil liability, automobile liability, street and sidewalk design and/or maintenance, zoning, building and other land-use regulations, equipment operation, as well as other areas. These claims or lawsuits are a relatively natural consequence of conducting the City's business. The City of Everett self-insures to cover the majority of its liability risk.

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

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 such disallowances, if any, would be immaterial.

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

Loans between funds are classified as either interfund loans receivable and payable or advances to and from other funds, depending on the time period for which the loan was made. The City uses interfund loans primarily to meet short-term cash flow requirements while waiting for grant reimbursements.

Advances to and from other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements. There is currently one outstanding advance between the General Fund and Golf. It was established to internally finance Golf general obligation bonds that were called in 2007 and 2008 and to finance operating deficits that occurred in 2008 and early 2009. All long-term advances have planned repayment schedules.

Interfund loan balances at December 31, 2019 appear as follows:

	INTERFUND LOANS RECEIVABLE	INTERFUND LOANS PAYABLE	ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
General Fund	\$ 159,825	\$ -	\$ 6,134,168	\$ -
Nonmajor Governmental Funds	-	159,825	-	-
Nonmajor Enterprise Funds	-	-	-	6,134,168
TOTAL	\$ 159,825	\$ 159,825	\$ 6,134,168	\$ 6,134,168

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 the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfer activity for the year ending December 31, 2019 appears as follows:

	TRANSFERS IN							TOTAL
	General Fund	Bond Redemption Fund	Water & Sewer Utility	Transit	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	
TRANSFERS OUT								
General Fund	\$ -	\$ 1,110,090	\$ 39,082	\$ 6,336	\$ 2,635,398	\$ 285,940	\$ 22,809	\$ 4,099,655
Water & Sewer Utility	6,422,784	-	-	-	-	-	21,008	6,443,792
Transit	318,555	-	-	-	-	-	-	318,555
Nonmajor Governmental Funds	3,604,596	1,880,929	-	-	20,669,900	-	-	26,155,425
Nonmajor Enterprise Funds	-	-	-	-	-	-	12,005	12,005
TOTAL	\$ 10,345,935	\$ 2,991,019	\$ 39,082	\$ 6,336	\$ 23,305,298	\$ 285,940	\$ 55,822	\$ 37,029,432

A transfer is considered significant if it is for a transaction that does not occur on a routine basis or is inconsistent with the customary activities of the fund making the transfer. In 2019, the following significant transfers were completed:

- \$1,110,090 from Fund 002 – General Fund, to Fund 210 – Debt Service Fund
- \$2,575,398 from Fund 002 – General Fund, to Fund 301 – Capital Improvement Reserve Fund
- \$2,395,508 from Fund 156 – Criminal Justice Fund, to Fund 002 – General Fund.
- \$1,499,930 from Fund 159 – Transportation Benefit District, To Fund 119 – Public Works – Street Improvement, a Special Revenue Fund.

- \$1,025,027 from Fund 301 – Capital Improvement Reserve Fund, to General Fund
- \$1,880,929 from Fund 301 – Capital Improvement Reserve Fund, to Fund 210 – Debt Service Fund

NOTE 15 - RECEIVABLE AND PAYABLE BALANCES

Receivables at December 31, 2019 appear as follows:

	Taxes	Customer Accounts	Interest	Due from Other Governments	Notes Receivable	TOTAL
Governmental Activities:						
General Fund	\$ 12,201,730	\$ 2,134,221	\$ 448,654	\$ 20,565,627	\$ 127,739	\$ 35,477,971
Nonmajor Governmental Funds	1,801,096	1,292,468	250,476	3,883,716	13,487,350	20,715,106
Internal Service Funds	-	192,482	118,645	-	29,207	340,334
Total Governmental Activities	\$ 14,002,826	\$ 3,619,171	\$ 817,775	\$ 24,449,343	\$ 13,644,296	\$ 56,533,411
Business-Type Activities:						
Water & Sewer Utility	\$ -	\$ 7,137,274	\$ 476,433	\$ 848,122	\$ -	\$ 8,461,829
Transit	3,578,870	74,129	29,769	1,213,429	-	4,896,197
Nonmajor Enterprise Funds	-	188,912	25,150	22,581	-	236,643
Total Business-Type Activities	\$ 3,578,870	\$ 7,400,315	\$ 531,352	\$ 2,084,132	\$ -	\$ 13,594,669

Governmental Activities

General Fund - Customer Accounts include \$665,000 from PFD for Scoreboard
 Due from Other Governments include \$29,391,580 from PFD for 2019 Refunding Bonds (See Note 1) and \$55,065 from PFD for accrued interest on Scoreboard loan
 Notes Receivable excludes \$1,012,261 discount on notes reported in the Government Wide Statement of Net Position
 The receivables from PFD are not expected to be collected within one year

Payables at December 31, 2019 appear as follows:

	Wages & Benefits	Accounts Payable	Interest	Taxes	Due to Other Governments	Custodial Accounts	Other Liabilities	TOTAL
Governmental Activities:								
General Fund	\$3,003,981	\$2,025,770	\$ 45,062	\$ 3,987	\$ 171,338	\$ 312,480	\$ 693,420	\$ 6,256,038
Nonmajor Governmental Funds	396,871	1,352,045	-	6,230	112,336	-	3,767	1,871,249
Internal Service Funds	50,631	619,081	-	506	-	-	207,430	877,648
Total	\$ 3,451,483	\$ 3,996,896	\$ 45,062	\$ 10,723	\$ 283,674	\$ 312,480	\$ 904,617	\$ 9,004,935
Business-Type Activities:								
Water & Sewer Utility	\$ 551,689	\$ 1,646,894	\$ 601,169	\$ 167,481	\$ -	\$ -	\$ 1,031,732	\$ 3,998,965
Transit	279,586	877,873	-	2,484	482,606	750,000	-	2,392,549
Nonmajor Enterprise Funds	19,510	288,556	-	13,767	-	-	-	321,833
Total	\$ 850,785	\$ 2,813,323	\$ 601,169	\$ 183,732	\$ 482,606	\$ 750,000	\$ 1,031,732	\$ 6,713,347

The wages and benefits total excludes the following short term vacation and sick leave accruals which are included with non-current liabilities at the entity wide level:

Governmental Activities	
Internal Service Fund	\$ 102,532
Business-Type Activities	
Water and Sewer	\$ 910,968
Transit	490,352
Nonmajor Enterprise	32,813
	<u>\$ 1,434,133</u>

NOTE 16 - JOINT VENTURES AND RELATED ORGANIZATIONS

Joint Ventures - The City, in conjunction with other governmental entities, participates in six joint ventures. Using the same criteria applied to the other organizations to determine the reporting entity, these joint ventures have not been included in the City's annual financial statements.

The **Snohomish River Regional Water Authority** (SRRWA) was created for the planning, development, ownership, management and financing of water supply sources and transmission, and other water supply facilities, either by itself or in cooperation with other municipal providers of utilities. The primary purpose is to facilitate efficient water resource development and utilization through interlocal cooperation. The SRRWA board is comprised of one representative of each of three members, who is an elected public official designated in writing, authorized to represent the member in meetings of the membership and Board of Directors. The City has a 41.67 percent interest in the joint venture at December 31, 2019 and recorded an investment in the joint venture in the utility fund of \$669,332. As of December 31, 2019, the SRRWA had accumulated sufficient resources and was not experiencing any fiscal stress. Separate financial statements for the joint venture may be obtained from the City of Everett, Utilities Finance Manager, 3200 Cedar Street, Everett, WA 98201.

One Regional Card for All (ORCA) was established by interlocal agreement for the operating phase of the Regional Fare Integration Project also known as the Smart Card Project. This agreement among City of Everett (Everett Transit), Snohomish County Transit Authority (Community Transit), Sound Transit, King County Metro, Pierce Transit, Kitsap Transit and Washington State Ferries commenced April 1, 2009. Pursuant to the Interlocal Cooperation Act, chapter 39.34 RCW, the participating agencies jointly exercise their powers to better coordinate their respective services and fare payment systems in order to improve the availability, reliability and convenience of public transportation services within their service areas and throughout the region served by the agencies. Everett Transit's undivided interest in the assets, liabilities and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis. Everett Transit's interest in the central cash accounts as of December 31, 2019, is \$278,078 which represents unearned fare revenue. Everett Transit's percentage share of the operating expense for 2019 was 0.76% and capital expense is 0.76%. Separate financial statements for the joint venture may be obtained from Sound Transit, ORCA Regional Fare Coordination System, 401 S Jackson St, Seattle, WA 98104-2826.

Snohomish County 911 (SnoCo911) is a cash basis, special purpose district, 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. As of January 1, 2019, SnoCo911 assumed control and management of SERS activities. Control of SnoCo911 is with a 16-member Board of Directors which is specified in the Interlocal Agreement. SnoCo911 takes 911 calls, performs emergency dispatch service for local government agencies including police, fire and medical aid. In the event of the dissolution of Snohomish County 911, any money in the possession of Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to the 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 \$5,498,931 on December 31, 2019.

Snohomish County 911's 2019 operating budget was \$23,457,603, operating revenue received was \$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.

The Alliance for Housing Affordability (AHA) was created in 2013 by the City of Everett and eleven other jurisdictions within Snohomish County to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. AHA has since been joined by three additional jurisdictions for a total of fifteen members in 2019.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). In 2018, HASCO became both the Fiscal and Administrative agent.

Each member is responsible for contributing operating revenues as determined from the AHA annual budget based on each member's population. The City of Everett population makes up approximately 14.50% of total member's population. The City's contribution for 2019 is as follows:

Fiscal Year 7/1/18 - 6/30/19	AHA's total Fiscal Year Budget	City of Everett's Share of Budget	City of Everett's Share of % of Total AHA Budget
Fiscal Year 2019	\$107,391	\$10,909	10.16%

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

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Avenue W, Everett, WA 98204.

Washington Multi-City Business License and Tax Portal Agency (FileLocal) was established on March 1, 2014 under the state Interlocal Cooperation Act (CH.39.34.RCW) and Chapter 24.06 RCW. FileLocal is an instrumentality of its member cities, formed to carry out exclusively governmental activities to offer a web-based service that will make it easier for businesses to obtain business licenses and pay local Business and Occupation (B&O) taxes to its member cities. Four founding cities – Everett, Bellevue, Seattle, and Tacoma – are “Principals” and have representation on the Executive Board governing the agency. The Executive Board has final decision making authority upon all policy issues, approval or amendment of budget, approval or amendment of user fees and charges, approval of operations policy, adoption or amendment of Bylaws or Articles of Incorporation, acquisition of assets, admission of new Principal(s) or Subscriber(s), appointing or removing a manager, merger, consolidation, sale, termination or dissolution of the agency by supermajority vote. Principals pay a prorata share of budgeted expenditures each year based on the number of transactions processed in the most recent full year of data which was 2017 for 2019. The City of Everett paid \$34,760 in 2019 which represents a share of operating expense of 4.2% and capital costs of 11.76%. Upon termination of the agreement, distribution of property and net unexpended funds shall be apportioned by the ratio of contributions to the budget in the prior five years. Additional Washington cities may apply to join FileLocal either as a Principal or as a Subscriber. Principals have voting rights on the Executive Board; Subscribers have nonvoting representation on the Executive board. Financial reports may be obtained from the contracted CPA, Horace Francis at File Local, 700 Fifth Avenue, Suite 4350, Seattle, WA 98104.

Related Organizations

Housing Authority of the City of Everett, WA (EHA) is a related organization of the City. A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which the primary government is not financially accountable.

The Housing Authority of the City of Everett (EHA) was created in 1942 as a public body corporate and politic to provide safe, descent, and sanitary housing for low and moderate income residents of the City of Everett. EHA is a legally separate entity, governed by a six-member Board of Commissioners appointed by the Mayor for five-year terms, subject to approval by the City Council. The Board approves the policies of EHA and hires the Executive Director who directs the daily operations of EHA. The City does not have the ability to affect the operations of EHA, nor does EHA provide a financial benefit to or impose a financial burden on the City. As the City of Everett is not financially accountable for EHA, the financial information of EHA is not included in the financial statements of the City. Financial information may be obtained from Executive Director, Housing Authority of the City of Everett, 3107 Colby Avenue, Everett, WA, 98201.

NOTE 17 - POLLUTION REMEDIATION AND ASSET RETIREMENT OBLIGATIONS

Pollution Remediation Obligations

The City recorded the following pollution remediation obligations as other liabilities in its financial statements as of December 31, 2019, in accordance with GASB Statement No. 49:

SITE	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
4000 Block South Second Avenue	\$ 1,400,000	
2731 36th Street Southeast	100,000	
2808 10th Street	459,542	
721 E. Marine View Dr	639,915	
145 Alverson Boulevard	750,000	
144 West Marine View Drive		\$ 300,000
3600 Smith Street		143,592
TOTALS	\$ 3,349,457	\$ 443,592

The City identified a release of contaminants at the 4000 block of South Second Avenue, Everett, Washington, and will be pursuing a Voluntary Cleanup Program (VCP) agreement with the Washington State Department of Ecology (DOE) when the project commences. As of December 31, 2019, the City estimated the liability with regard to pollution remediation at this site to be \$1,400,000.

The City identified a release of contaminants at 2731 36th Street Southeast, Everett, Washington, and entered into a VCP agreement with the DOE to remediate the site in previous periods. The City remediated the soil contamination portion of the site during 2010 and then let lapse the VCP agreement with DOE. In the interim, the City continued to test and manage the site under a voluntary action for groundwater. At the completion of the interim action, a VCP agreement is expected to be re-engaged. As of December 31, 2019, the City concluded that additional remediation was needed, and estimated the liability with regard to pollution remediation at this site to be \$100,000.

Three sites located at 2808 10th Street, 721 E. Marine View Drive, and 145 Alverson Boulevard, Everett, Washington were identified as contaminated by releases from the neighboring former ASARCO plant. As of December 31, 2019, the City estimated the liability with regard to pollution remediation at these sites to be \$459,542, \$639,915, and \$750,000, respectively.

The site located at 144 West Marine View Drive, Everett, Washington had previously been identified as contaminated by releases from the neighboring former ASARCO plant. The City voluntarily remediated the site in 1998 in conjunction with a VCP agreement with the DOE. The City had expected to receive a notice of no further action from the DOE upon completion of the DOE's Final Cleanup Action Plan for ASARCO. The City's original VCP agreement expired, a new VCP agreement was reinstated in 2008, and the DOE requested the City to send the DOE an analysis of current soil samples at the site. The City engaged an independent engineering firm to analyze soil samples at the site and submit its findings to the DOE, this work was performed during 2009, and the City submitted several alternative remediation proposals to the DOE for consideration. As of December 31, 2019, the City estimated liability with regard to pollution remediation at this site to be \$300,000.

The land at 3600 Smith Street for a new transit operations center was purchased in 2017. Per purchase agreement, the City set up an environmental holdback \$750,000, from which the City may withdraw if the City incurs costs for eligible remediation work in excess of \$821,500. An engineering report estimated cleanup cost \$1.1 million. DOE has accepted Cleanup Action Plan and VCP site work was begun in 2017 and continued into 2019. DOE will continue to monitor groundwater quality. As of December 31, 2019, the City estimated liability with regard to pollution remediation at this site to be \$143,592.

The estimated liability for each of these sites was prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. This is an estimate only, and potential for change exists resulting from price fluctuations, technology changes or changes in applicable laws or regulations. The estimates and underlying assumptions will be re-evaluated on an annual basis.

Asset Retirement Obligations

The City is obligated by Washington Administrative Code (WAC) to take specific actions when retiring underground storage tanks (USTs) in accordance with section WAC 173-360A-0810. The Code requires that the City take certain

steps to permanently take USTs out the service including the removal, transportation and disposal of liquid, sludge, hazardous waste, as well as removal or capping tanks and piping. The City currently has 9 underground tanks with a remaining useful life ranging from 1 to 4 years. The ARO for the underground storage tanks was estimated at \$270,000 as of December 31, 2019 based on the best estimate of City management representatives with expertise in environmental issues.

NOTE 18 - TAX ABATEMENTS

As of December 31, 2019, the City provides tax abatements through two programs – the Multifamily Housing Property Tax Exemption, and the New Job Tax Credit.

Multifamily Housing Property Tax Exemption

The Multifamily Housing Property Tax Exemption program provides property tax exemptions to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in the City’s urban center, in keeping with the goals of the Growth Management Act (Chapter 36.70A RCW).

The value of new construction, conversion, and rehabilitation improvements qualifying under this program are exempt from ad valorem property taxation for:

- Ten years provided applications have been submitted prior to July 22, 2007;
- Eight years if applications were submitted on or after July 22, 2007; or
- Twelve years if applications were submitted on or after July 22, 2007, the property otherwise qualifies for the exemption under Chapter 84.14 RCW, and the owner commits to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low- and moderate-income households.

Tax exemptions are obtained through application by the property owner to the Director of Planning and Community Development. Property owners receiving tax exemptions are required to file a notarized annual declaration with the Director indicating ongoing compliance, which is verified by City staff through an on-site verification.

New Jobs Tax Credit

The purpose of the New Jobs Tax Credit is to encourage business growth or relocation into the City. In order to qualify for the tax credit, businesses must create fifty or more new full-time employment positions within four consecutive quarters. The credit is equal to one thousand dollars for each new full-time employment position created, and is used to reduce the amount of Business & Occupation tax owed by the business. A business may claim credit under this program multiple times, up to a cap of five hundred thousand per business.

Businesses must complete an application and submit it to the City Clerk. Businesses receiving the New Jobs Tax Credit must maintain the total number of full-time employment positions existing at the time the credit is claimed for a period of three years. If the business does not maintain the total number of full-time employment positions for three years, the credit will be forfeit and the business will be required to pay any amount of credit previously received.

Tax Abatement Program	Amount of Taxes Abated
Multifamily Property Tax Exemption	\$116,511
New Jobs Tax Credit	\$139,650

State of Washington Sales Tax Exemptions

The State of Washington has tax abatement agreements that allow for sales/use tax exemptions and deferrals.

State exemptions that apply to the City of Everett include:

Exemption for Computer Hardware, Software, and Peripherals (Aerospace)

Sales of computer hardware, computer peripherals, or software, used primarily in the development, design, and engineering of aerospace products or in providing aerospace services, or to sales of or charges made for labor and

services rendered in respect to installing the computer hardware, computer peripherals, or software are exempt from retail sales tax per RCW 85.08.975 and 82.12.975. The amount of taxpayer savings in 2019 was \$934,216.

High Technology Sales and Use Tax Deferral

The State established a program of business and occupation tax credits for qualified research and development expenditures as well as a tax deferral program for high-technology research and development and pilot scale manufacturing facilities per RCW 82.63. The State of Washington is prohibited by RCW 82.32.330 from disclosing detail on the amount of abatements provided.

Exemption for the Construction of New Facilities Used to Manufacture Commercial Airplanes, Fuselages, or Wings of Commercial Airplanes (Aerospace)

Purchases for the construction of new buildings, including labor and services rendered, used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCW 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax exemption Certificate to the seller at the time of purchase. The State of Washington is prohibited by RCW 82.32.330 from disclosing detail on the amount of abatements provided.

NOTE 19 - OTHER DISCLOSURES

A. PRIOR PERIOD ADJUSTMENTS

In 1999, the City and Kimberley-Clark (K-C) agreed to jointly build a deep water outfall into Possession Sound. Under a Joint Use Agreement, K-C owned 50.5% and Everett owned 49.5%. Total project costs in 2005 were \$19,667,999. The City and K-C shared operation and maintenance costs until K-C mill shut down, at which time the City entered into a Form of Bill of Sale with K-C and assumed full ownership of the outfall by the First Amendment to the Joint Use Agreement. The bill of sale transferred and conveyed the K-C Capacity and the Joint use Facilities and all existing property rights known at the time of the execution of the amendment to vest in the City the ownership of, and all rights to operate, the Joint Use Facilities. The amendment was adopted by City Council in August 2015.

In 2019, Everett recorded the transfer of the outfall in the Utilities fund at the original K-C 50.5% share of \$9,932,340 and accumulated depreciation of \$1,986,468. The effect of this transfer was a capital contribution in a prior period of \$7,945,872.

B. SPECIAL ITEMS

The city issued the 2019 LTGO and Refunding Bonds to defease the 2014 Floating Rate LTGO Bonds and recorded a loss of \$3,970,077. Gains or losses on refunding are generally deferred and amortized over the shorter of the life of the refunded bonds or the new bond issue. Due to the unusual terms of the 2014 issue, the bonds had a mandatory refund date of 2019, making the life of the refunded issue zero years. The loss on refunding is therefore reported as a current period loss in its entirety.

The Everett Public Facilities District recognized a reduction of debt payable to the City of Everett of \$3,826,011 as a result of the same refunding activity.

C. 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 were ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

In response to the Governor's mandate, the City closed all non-essential services and required all employees able to do so to telecommute. An initial assessment of the economic impact on revenues projects a loss of revenue

between \$11.4 million and \$21.1 million, with a weighted average loss of \$14 million, or about 10%, in 2020 and continuing revenue reductions in 2021 and beyond.

Budget amendments propose a reduction in force through the combined use of voluntary separation (VSP), layoffs and furloughs that include 160 full and part-time positions as well as the suspension of programs such as the senior center, Forest Park swimming pool, and parks, recreation and arts programs for an initial budget reduction of about \$2.5 million.

At the time of the issue of these statements, the City was in Phase 2 of a 4-phase State recovery plan with precautionary measures still in place. The length of time these measures will be in place, and the full extent of the financial impact on the City of Everett is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 90,482,325	\$ 90,716,886	\$ 90,859,490	\$ 142,604
Licenses and permits	4,186,500	4,186,500	4,260,119	73,619
Intergovernmental revenues	4,076,419	5,089,064	5,345,045	255,981
Charges for services	7,591,520	7,644,539	8,058,965	414,426
Fines and forfeits	1,532,700	1,532,700	1,203,472	(329,228)
Other revenues	960,850	963,267	2,022,928	1,059,661
TOTAL REVENUES	108,830,314	110,132,956	111,750,019	1,617,063
EXPENDITURES				
Current				
General government services	26,020,296	28,158,532	26,536,026	1,822,506
Security of persons and property	72,966,755	71,780,587	69,648,066	2,132,521
Transportation	4,349,576	4,349,576	4,181,215	168,361
Economic environment	6,229,566	6,229,566	5,842,975	386,591
Mental and physical health	1,543,477	1,543,477	1,459,453	84,024
Culture and recreation	774,900	774,900	660,461	114,439
Capital outlay	7,500	236,500	335,467	(98,967)
TOTAL EXPENDITURES	111,892,070	113,073,138	108,663,663	4,409,475
Excess (deficiency) of revenues over (under) expenditures	(3,061,756)	(2,940,182)	3,086,356	6,026,538
OTHER FINANCING SOURCES (USES)				
Transfers in	9,107,914	9,107,914	9,198,495	90,581
Transfers out	(3,996,158)	(4,905,558)	(4,911,568)	(6,010)
Other Sources	-	10,000	34,946	24,946
Total other financing sources (uses)	5,111,756	4,212,356	4,321,873	109,517
SPECIAL ITEM				
Loss from refunding financing	-	-	(3,970,077)	(3,970,077)
Net change in fund balances	2,050,000	1,272,174	3,438,152	2,165,978
Fund balances - beginning	25,850,000	26,779,227	65,541,312	38,762,085
FUND BALANCES - ENDING	\$ 27,900,000	\$ 28,051,401	\$ 68,979,464	\$ 40,928,063

**Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual
Note to RSI**

Note A – Explanation of Difference between General Fund Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

The annual budgets are adopted on a basis consistent with generally accepted accounting principles. With the implementation of GASB 54, the funds listed below, which were previously reported as Special Revenue funds will continue to be budgeted and operational, but will be consolidated with the General Fund for reporting purposes.

Revenues

Actual Amount \$ 111,750,019

Differences - Budget to GAAP

Add funds no longer meeting the definition of special revenue funds per GASB Statement No. 54 to General Fund

Parks & Recreation Fund	8,712,606
Library Fund	4,851,430
Municipal Arts Fund	738,945
Conference Center Fund	119,391
Motor Vehicle Equip Repl Fund	1,135,381
Cum Reserve Real Prop Acq Fund	55,984
Property Management Fund	701,797
Senior Center Reserve Fund	75,285
Contingency Reserve Fund	<u>(8,516)</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - general fund \$ 128,132,322

Expenditures

Actual Amount \$ 108,663,663

Differences - Budget to GAAP

Add funds no longer meeting the definition of special revenue funds per GASB Statement No. 54 to General Fund

Parks & Recreation Fund	8,280,305
Library Fund	4,608,457
Municipal Arts Fund	856,489
Conference Center Fund	37,440
General Gov't Special Proj Fund	8,860
Motor Vehicle Equip Repl Fund	4,645,346
Cum Reserve Real Prop Acq Fund	100,546
Property Management Fund	1,956,141
Senior Center Reserve Fund	<u>67,143</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - general fund \$ 129,224,390

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EMERGENCY MEDICAL SERVICES FUND
FOR YEAR ENDED DECEMBER 31, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 8,698,920	\$ 8,698,920	\$ 9,191,390	\$ 492,470
Intergovernmental Revenues	1,185,566	1,185,566	4,967,065	3,781,499
Charges for Services	1,676,177	1,676,177	3,871,161	2,194,984
Other Revenues	20,000	20,000	16,160	(3,840)
Total Revenues	11,580,663	11,580,663	18,045,776	6,465,113
EXPENDITURES				
Current:				
General Government Services	2,500	11,690	2,145	9,545
Security of Persons and Property	10,697,024	11,032,040	10,621,325	410,715
Capital Outlay	689,354	689,354	560,824	128,530
Interest	16,046	16,046	8,024	8,022
Total Expenditures	11,404,924	11,749,130	11,192,318	556,812
Excess (deficiency) of revenues over (under) expenditures	175,739	(168,467)	6,853,458	7,021,925
OTHER FINANCING SOURCES (USES)				
Disposition of Fixed Assets	-	-	1,677	1,677
Insurance Recoveries	-	4,694	4,694	4,694
Total other financing sources (uses)	-	4,694	6,371	6,371
Net change in fund balances	175,739	(163,773)	6,859,829	7,028,296
Fund Balances - beginning	1,260,302	1,260,302	156,595	(1,103,707)
FUND BALANCES - ENDING	\$ 1,436,041	\$ 1,096,529	\$ 7,016,424	\$ 5,924,589

CITY OF EVERETT
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIRE AND POLICE PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fire										
Total pension liability										
Service cost *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	385,762	382,000	407,400	274,070	279,333	321,047	336,661	391,019	397,248	558,350
Effect of economic/demographic (gains)/losses	(166,025)	-	-	-	-	-	-	-	-	-
Effect of assumption changes	662,070	(210,000)	-	-	-	-	-	-	-	-
Benefits paid	(689,821)	(722,000)	(722,821)	(792,142)	(528,629)	(903,934)	(393,969)	(485,124)	(619,526)	(750,321)
actual experience	-	-	21,179	(170,129)	98,923	534,898	-	117,605	97,689	90,690
Changes of assumptions	-	-	3,721,618	-	-	1,156,048	-	(913,665)	-	(3,120,762)
Net changes	191,986	(550,000)	3,427,376	(688,201)	(150,373)	1,108,059	(57,308)	(890,165)	(124,589)	(3,222,043)
Total pension liability-beginning	9,985,587	10,569,759	7,142,383	7,830,584	7,980,957	6,872,898	6,930,206	7,820,371	7,944,960	11,167,003
Adjustment to the beginning balance	-	(34,172)	-	-	-	-	-	-	-	-
Total pension liability-ending	\$ 10,177,573	\$ 9,985,587	\$ 10,569,759	\$ 7,142,383	\$ 7,830,584	\$ 7,980,957	\$ 6,872,898	\$ 6,930,206	\$ 7,820,371	\$ 7,944,960
Plan fiduciary net position										
Contributions-employer/state	\$ 595,567	\$ 176,619	\$ 515,525	\$ 166,410	\$ 1,365,598	\$ 170,627	\$ 155,946	\$ 147,478	\$ 154,877	\$ 149,966
Investment income net of expenses	551,363	171,620	-	-	-	-	-	-	-	-
Expected Investment Earnings	-	-	383,000	340,819	345,084	-	-	-	-	-
Difference between expected and actual investment earnings	-	-	(246,048)	(341,313)	(18,861)	511,470	101,404	245,782	461,607	163,869
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Benefit payments	(689,821)	(721,622)	(722,821)	(792,142)	(528,629)	(903,934)	(393,969)	(485,124)	(619,526)	(750,321)
Medical payments	-	-	-	-	-	-	-	-	-	-
Administrative expenses	-	(600)	-	-	-	-	-	-	-	-
Other	-	-	(200)	(525)	(138)	-	-	-	(3,729)	(697)
Net changes in plan fiduciary net position	457,109	(373,983)	(70,544)	(626,751)	1,163,054	(221,837)	(136,619)	(91,864)	(6,771)	(437,183)
Plan fiduciary net position-beginning	10,156,920	10,530,903	10,601,447	11,228,198	10,065,144	10,286,981	10,423,600	10,225,226	4,231,997	4,669,180
Prior period correction	-	-	-	-	-	-	-	290,238	6,000,000	-
Plan fiduciary net position-ending	\$ 10,614,029	\$ 10,156,920	\$ 10,530,903	\$ 10,601,447	\$ 11,228,198	\$ 10,065,144	\$ 10,286,981	\$ 10,423,600	\$ 10,225,226	\$ 4,231,997
Net pension liability	\$ (436,456)	\$ (171,333)	\$ 38,856	\$ (3,459,064)	\$ (3,397,614)	\$ (2,084,187)	\$ (3,414,083)	\$ (3,493,394)	\$ (2,404,855)	\$ 3,712,963
Plan fiduciary net position as a percentage of the total pension liability										
Covered payroll	\$ -	\$ -	\$ 51,232	\$ 199,405	\$ 187,937	\$ 286,645	\$ 339,682	\$ 622,642	\$ 545,905	\$ 891,440
Net pension liability as a percentage of covered payroll	N/A	N/A	75.84%	-1734.69%	-1807.85%	-727.10%	-1005.08%	-561.06%	-440.53%	416.51%
Police										
Total pension liability										
Service cost *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	194,189	195,635	214,500	175,970	193,424	287,037	292,753	297,663	306,872	296,385
Effect of economic/demographic (gains)/losses	1,663	-	-	-	-	-	-	-	-	-
Effect of assumption changes	243,421	(86,056)	-	-	-	-	-	-	-	-
Benefits paid	(475,877)	(468,073)	(477,050)	(503,312)	(531,296)	(376,067)	(438,065)	(526,522)	(533,545)	(587,493)
actual experience	-	-	29,952	(132,630)	(160,813)	(1,768,304)	-	38,128	42,485	45,660
Changes of assumptions	-	-	1,152,261	-	-	1,454,959	-	311,552	-	455,201
Net changes	(36,604)	(358,494)	919,663	(459,972)	(498,685)	(402,375)	(145,312)	120,821	(184,188)	209,753
Total pension liability-beginning	5,090,333	5,487,402	4,567,739	5,027,711	5,526,396	5,928,771	6,074,083	5,953,262	6,137,450	5,927,697
Adjustment to the beginning balance	-	(38,575)	-	-	-	-	-	-	-	-
Total pension liability-ending	\$ 5,053,729	\$ 5,090,333	\$ 5,487,402	\$ 4,567,739	\$ 5,027,711	\$ 5,526,396	\$ 5,928,771	\$ 6,074,083	\$ 5,953,262	\$ 6,137,450
Plan fiduciary net position										
Contributions-employer/state	\$ 200,002	\$ -	\$ 800,000	\$ 1,468,086	\$ 2,161,085	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income net of expenses	253,141	102,996	-	-	-	-	-	-	-	-
Expected Investment Earnings	-	-	186,000	86,287	85,176	-	-	-	-	-
Difference between expected and actual investment earnings	-	-	(91,479)	(55,542)	(3,141)	-	-	-	-	-
Benefit payments	(475,877)	(468,073)	(477,050)	(503,312)	(531,296)	(376,067)	(438,065)	(526,522)	(533,545)	(587,493)
Other	-	(200)	(200)	(175)	(413)	-	-	-	-	-
Net changes in plan fiduciary net position	(22,734)	(365,277)	417,271	995,344	1,711,411	(376,067)	(438,065)	(526,522)	(533,545)	(587,493)
Plan fiduciary net position-beginning	5,263,024	5,628,301	5,211,030	4,215,686	2,504,275	2,880,342	2,622,845	4,524,250	557,795	1,145,288
Prior period correction	-	-	-	-	-	-	(1,374,883)	4,500,000	-	-
Plan fiduciary net position-ending	\$ 5,240,290	\$ 5,263,024	\$ 5,628,301	\$ 5,211,030	\$ 4,215,686	\$ 2,504,275	\$ 2,184,780	\$ 2,622,845	\$ 4,524,250	\$ 557,795
Net pension liability	\$ (186,561)	\$ (172,691)	\$ (140,899)	\$ (643,291)	\$ 812,025	\$ 3,022,121	\$ 3,743,991	\$ 3,451,238	\$ 1,429,012	\$ 5,579,655
Plan fiduciary net position as a percentage of the total pension liability										
Covered payroll	\$ -	\$ -	\$ -	\$ 137,179	\$ 138,549	\$ 239,221	\$ 306,766	\$ 362,732	\$ 436,656	\$ 767,632
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	-468.94%	586.09%	1263.32%	1220.47%	951.46%	327.26%	726.87%

* Service cost is \$0, since there are no active employees eligible for the additional service credits.

**CITY OF EVERETT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIRE AND POLICE PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fire										
Actuarially determined contribution	\$ -	\$ 21,000	\$ 20,000	\$ (85,143)	\$ (81,088)	\$ (187,676)	\$ (178,998)	\$ (131,810)	\$ (125,850)	\$ 105,226
Contributions	415,502	-	350,000	166,410	1,365,599	170,627	155,946	147,478	154,877	149,966
Contribution deficiency (excess)	\$ (415,502)	\$ 21,000	\$ (330,000)	\$ (251,553)	\$ (1,446,687)	\$ (358,303)	\$ (334,944)	\$ (279,288)	\$ (280,727)	\$ (44,740)
Covered payroll	\$ -	\$ -	\$ 51,232	\$ 199,405	\$ 187,937	\$ 286,645	\$ 339,682	\$ 622,642	\$ 545,905	\$ 891,440
Contributions as a percentage of covered payroll	N/A	N/A	683.17%	83.45%	726.63%	59.53%	45.91%	23.69%	28.37%	16.82%
Police										
Actuarially determined contribution	\$ -	\$ 41,000	\$ 40,000	\$ 144,972	\$ 138,069	\$ 185,912	\$ 177,059	\$ 131,541	\$ 125,278	\$ 111,447
Contributions	200,002	-	800,000	1,468,086	2,161,085	-	-	-	-	-
Contribution deficiency (excess)	\$ (200,002)	\$ 41,000	\$ (760,000)	\$ (1,323,114)	\$ (2,023,016)	\$ 185,912	\$ 177,059	\$ 131,541	\$ 125,278	\$ 111,447
Covered payroll	\$ -	\$ -	\$ -	\$ 137,178	\$ 138,549	\$ 239,221	\$ 306,766	\$ 362,732	\$ 436,656	\$ 767,632
Contributions as a percentage of covered payroll	N/A	N/A	N/A	1070.21%	1559.80%	0.00%	0.00%	0.00%	0.00%	0.00%

Valuation date:

Actuarially determined contribution rates are as of January 1, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization period	Closed 30 year amortization period of the unfunded obligation beginning January 1, 2000.
Asset valuation method	Actuarial value of assets equal to market value
Inflation	2.25%
Salary increase	3.00%
Investment rate of return	2.75%
Mortality	
Service-retired members and spouses:	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projections Scale BB, with ages set back one year for males and set forward one year for females.
Disabled members:	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projections Scale BB, with ages set forward two years.
Retirement age	All actives are retired as of the valuation date.

**CITY OF EVERETT
 SCHEDULE OF INVESTMENT RETURNS
 FIRE AND POLICE PENSION PLANS
 FOR THE YEAR ENDED DECEMBER 31
 Last Ten Fiscal Years**

**Annual money-weighted rate of
 return, net of investment
 expenses**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fire	5.47%	1.67%	1.87%	0.05%	3.14%	9.76%	-6.52%	2.14%	7.48%	3.76%
Police	4.97%	1.92%	1.84%	-0.01%	3.18%	9.82%	-6.31%	2.68%	6.40%	3.66%

City of Everett
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2019
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset) %</u>	0.451166%	0.446110%	0.439348%	0.434225%	0.431425%
<u>Employer's proportionate share of the net pension liability</u> \$	(8,917,797)	(8,099,136)	(6,665,876)	(4,473,759)	(5,199,625)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u> \$	(60,319,757)	(54,782,355)	(45,087,820)	(30,260,397)	(35,170,132)
TOTAL \$	(69,237,554)	(62,881,491)	(51,753,696)	(34,734,156)	(40,369,757)
<u>Covered payroll</u> \$	-	-	141,324	249,534	237,134
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u> %			-4716.73%	-1792.85%	-2192.69%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

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

City of Everett
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2019
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset) %</u>	1.254871%	1.277707%	1.302978%	1.307804%	1.945509%
<u>Employer's proportionate share of the net pension liability</u> \$	(29,071,509)	(25,940,238)	(18,081,113)	(7,606,580)	(12,037,039)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u> \$	(19,037,943)	(16,795,815)	(11,728,880)	(4,958,937)	(7,847,274)
TOTAL \$	(48,109,452)	(42,736,053)	(29,809,993)	(12,565,517)	(19,884,313)
<u>Covered payroll</u> \$	43,708,227	42,288,542	40,759,097	39,618,462	33,991,128
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u> %	-66.51%	-61.34%	-44.36%	-19.20%	-35.41%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

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

City of Everett
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2019
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset) %</u>	0.453179%	0.475870%	0.485018%	0.509161%	0.479404%
<u>Employer's proportionate share of the net pension liability</u> \$	17,426,341	21,252,516	23,014,482	27,344,344	25,077,288
TOTAL \$	17,426,341	21,252,516	23,014,482	27,344,344	25,077,288
<u>Covered payroll</u> \$	61,699,645	61,198,921	59,020,113	58,907,060	52,435,930
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u> %	28.24%	34.73%	38.99%	46.42%	47.82%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

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

City of Everett
Schedule of Proportionate Share of the Net Pension Liability
PERS 2 & 3
As of June 30, 2019
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset) %</u>	0.547002%	0.565717%	0.577585%	0.597904%	0.562203%
<u>Employer's proportionate share of the net pension liability</u> \$	5,313,249	9,659,114	20,068,318	30,103,994	20,087,834
TOTAL \$	5,313,249	9,659,114	20,068,318	30,103,994	20,087,834
<u>Covered payroll</u> \$	59,469,268	58,859,395	56,628,484	56,301,378	49,849,648
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u> %	8.93%	16.41%	35.44%	53.47%	40.30%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

City of Everett
Schedule of Proportionate Share of the Net Pension Liability
PSERS 2
As of June 30, 2019
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset) %	0.196691%	0.210589%	0.211104%	0.218027%	0.211384%
Employer's proportionate share of the net pension liability \$	(25,578)	2,609	41,362	92,657	38,582
TOTAL \$	(25,578)	2,609	41,362	92,657	38,582
Covered payroll \$	905,354	826,269	747,434	707,814	617,932
Employer's proportionate share of the net pension liability as a percentage of covered payroll %	-2.83%	0.32%	5.53%	13.09%	6.24%
Plan fiduciary net position as a percentage of the total pension liability %	101.85%	99.79%	96.26%	90.41%	95.08%

Notes to Schedule:

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

City of Everett
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 3,170,621	3,322,499	2,939,289	2,822,767	2,525,814
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (3,170,621)	(3,322,499)	(2,939,289)	(2,822,767)	(2,525,814)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-
<u>Covered payroll</u>	\$ 62,527,100	63,570,948	57,968,890	57,908,615	55,592,788
<u>Contributions as a percentage of covered payroll</u>	%	5.07%	5.23%	5.07%	4.87%

Notes to Schedule:

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

City of Everett
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>	\$ 4,672,076	4,592,193	3,794,281	3,462,296	2,956,452
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (4,672,076)	(4,592,193)	(3,794,281)	(3,462,296)	(2,956,452)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-
<u>Covered payroll</u>	\$ 60,585,416	61,248,148	55,682,589	55,524,137	52,988,069
<u>Contributions as a percentage of covered payroll</u>	%	7.71%	7.50%	6.81%	6.24%

Notes to Schedule:

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

City of Everett
Schedule of Employer Contributions
LEOFF 2
For the year ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 2,337,466	2,349,334	2,055,917	2,642,544	1,847,723
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (2,337,466)	(2,349,334)	(2,055,917)	(2,642,544)	(1,847,723)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-
<u>Covered payroll</u>	\$ 44,720,892	44,471,510	39,983,105	38,093,810	36,588,195
<u>Contributions as a percentage of covered payroll</u>	%	5.23%	5.28%	5.14%	6.94%

Notes to Schedule:

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

City of Everett
Schedule of Employer Contributions
PSERS 2
For the year ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 68,487	61,315	49,510	46,918	43,679
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (68,487)	(61,315)	(49,510)	(46,918)	(43,679)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-
<u>Covered payroll</u>	\$ 960,256	896,098	743,526	711,952	675,627
<u>Contributions as a percentage of covered payroll</u>	%	7.13%	6.84%	6.66%	6.59%

Notes to Schedule:

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

CITY OF EVERETT
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
FIRE AND POLICE OPEB PLANS
FOR THE YEAR ENDED DECEMBER 31
Last 10 Fiscal Years*

	2019	2018
Fire		
Total OPEB liability		
Service cost **	\$ -	\$ -
Interest expense	1,694,851	1,578,000
Effect of economic/demographic (gains)/losses	(615,997)	-
Effect of assumption changes	642,326	(2,765,000)
Benefits paid	(1,607,116)	(1,431,000)
Net changes	<u>114,064</u>	<u>(2,618,000)</u>
Total OPEB liability-beginning	43,167,000	45,785,000
Adjustment to the beginning balance	(56)	-
Total OPEB liability-ending	<u>\$ 43,281,008</u>	<u>\$ 43,167,000</u>
Plan fiduciary net position		
Contributions-employer/state	\$ 509,090	\$ 53,000
Investment income net of expenses	872,846	335,000
Benefit payments	(1,607,116)	(1,431,000)
Administrative expenses	(48,143)	(28,000)
Net changes in plan fiduciary net position	<u>(273,323)</u>	<u>(1,071,000)</u>
Plan fiduciary net position-beginning	17,297,000	18,368,000
Prior period correction	(358)	-
Plan fiduciary net position-ending	<u>\$ 17,023,319</u>	<u>\$ 17,297,000</u>
Net OPEB liability	<u>\$ 26,257,689</u>	<u>\$ 25,870,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	39.33%	40.07%
Covered employee payroll	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A
Police		
Total OPEB liability		
Service cost **	\$ -	\$ -
Interest expense	1,195,509	1,114,000
Effect of economic/demographic (gains)/losses	1,758,417	-
Effect of assumption changes	1,459,046	(2,075,000)
Benefits paid	(964,371)	(972,000)
Net changes	<u>3,448,601</u>	<u>(1,933,000)</u>
Total OPEB liability-beginning	30,365,000	32,298,000
Adjustment to the beginning balance	180	-
Total OPEB liability-ending	<u>\$ 33,813,781</u>	<u>\$ 30,365,000</u>
Plan fiduciary net position		
Contributions-employer/state	\$ 703,706	\$ 53,000
Investment income net of expenses	509,983	220,000
Benefit payments	(964,371)	(972,000)
Administrative expenses	(38,507)	(16,000)
Net changes in plan fiduciary net position	<u>210,811</u>	<u>(715,000)</u>
Plan fiduciary net position-beginning	11,371,000	12,086,000
Prior period correction	(306)	-
Plan fiduciary net position-ending	<u>\$ 11,581,505</u>	<u>\$ 11,371,000</u>
Net OPEB liability	<u>\$ 22,232,276</u>	<u>\$ 18,994,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	34.25%	37.45%
Covered employee payroll	\$ -	\$ -
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A

* This schedule will be 10 years as information is available

** Service cost is \$0, since none of the active employees are eligible for the additional service credits.

**CITY OF EVERETT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIRE AND POLICE OPEB PLANS
FOR THE YEAR ENDED DECEMBER 31
Last 10 Fiscal Years***

Fire	2019	2018
Actuarially determined contribution	\$ 2,069,000	\$ 2,024,000
Contributions	-	-
Contribution deficiency (excess)	\$ 2,069,000	\$ 2,024,000
Covered employee payroll	\$ -	\$ -
Contributions as a percentage of covered- employee payroll	N/A	N/A
Police		
Actuarially determined contribution	\$ 1,552,000	\$ 1,518,000
Contributions	-	-
Contribution deficiency (excess)	\$ 1,552,000	\$ 1,518,000
Covered employee payroll	\$ -	\$ -
Contributions as a percentage of covered- employee payroll	N/A	N/A

Valuation date:

Actuarially determined contribution rates are as of January 1, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization period	Closed 30 year amortization period of the unfunded obligation beginning January 1, 2000.
Asset valuation method	Actuarial value of assets equal to market value
Inflation	2.25%
Salary increase	3.00%
Investment rate of return	3.75%
Mortality	
Service-retired members and spouses:	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projections Scale BB, with ages set back one year for males and set forward one year for females.
Disabled members:	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projections Scale BB, with ages set forward two years.
Retirement age	All actives are retired as of the valuation date.

* This schedule will be 10 years as information is available

CITY OF EVERETT
SCHEDULE OF INVESTMENT RETURNS
FIRE AND POLICE OPEB PLANS
FOR THE YEAR ENDED DECEMBER 31
Last 10 Fiscal Years *

Annual money-weighted rate of return, net of investment expenses	2019	2018
Fire	5.23%	1.90%
Police	4.58%	1.90%

* This schedule will be 10 years as information is available

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 004, B-18-MC- 53-004	-	631,822	631,822	-	3a
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 004, B-18-MC- 53-004	-	530,192	530,192	268,586	5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 004, B-18-MC- 53-004	-	64,872	64,872	-	3a
				Total CDBG - Entitlement Grants Cluster:	1,226,886	1,226,886	268,586	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via US Dept of HUD (SnoCo Human Services))	Home Investment Partnerships Program	14.239	HCS-18-42- 1617-198, HCS- 18-42-115-198	103,657	-	103,657	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via US Dept of HUD (SnoCo Human Services))	Home Investment Partnerships Program	14.239	HCS-17-42- 1701-198	68,725	-	68,725	-	

The accompanying notes are an integral part of this schedule.

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via US Dept of HUD (SnoCo Human Services))	Home Investment Partnerships Program	14.239	HCS-17-42- 1701-198	13,344	-	13,344	-	3a
Total CFDA 14.239:				185,726	-	185,726	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via US Dept of Justice (WA Dept of Commerce))	Violence Against Women Formula Grants	16.588	F18-31103-036	25,365	-	25,365	16,179	5
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	HSIP-2715(010)	16,776	-	16,776	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	HSIP-0099(138)	7,545	-	7,545	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	STPUL-CM- 0420(022)	1,331,633	-	1,331,633	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	HSIP-0005(508)	9,415	-	9,415	-	

The accompanying notes are an integral part of this schedule.

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	BHM-2776(008)	195,897	-	195,897	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT FHWA (WA DOT))	Highway Planning and Construction	20.205	BRM-2776(009)	6,728	-	6,728	-	
Total Highway Planning and Construction Cluster:				1,567,994	-	1,567,994	-	
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2017-017- 00	-	876,584	876,584	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2017-033- 00	-	175,889	175,889	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2019-022- 00	-	11,418	11,418	-	
Total Federal Transit Cluster:				-	1,063,891	1,063,891	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2018-003- 02	-	67,608	67,608	-	
Total Transit Services Programs Cluster:				-	67,608	67,608	-	
Highway Safety Cluster								

The accompanying notes are an integral part of this schedule.

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	State and Community Highway Safety	20.600	2019-HVE-3322	1,013	-	1,013	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	State and Community Highway Safety	20.600	N/A	991	-	991	-	
Total CFDA 20.600:				2,004	-	2,004	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	National Priority Safety Programs	20.616	2019-HVE-3322	1,158	-	1,158	-	4a
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	National Priority Safety Programs	20.616	MAP-21	1,588	-	1,588	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	National Priority Safety Programs	20.616	MAP-21	1,972	-	1,972	-	
Total CFDA 20.616:				4,718	-	4,718	-	
Total Highway Safety Cluster:				6,722	-	6,722	-	

The accompanying notes are an integral part of this schedule.

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via US DOT (WA Traffic Safety Comm))	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2019-HVE-3322	1,389	-	1,389	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via US Dept of Health & Human Svcs (WA St Health Care Authority))	Medical Assistance Program	93.778	K2297	162	-	162	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via US Dept of Health & Human Svcs (WA St Health Care Authority))	Medical Assistance Program	93.778	K2297	32,000	-	32,000	-	
Total Medicaid Cluster:				32,162	-	32,162	-	
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Exec. Off. of the President (Sno Co Sheriff))	High Intensity Drug Trafficking Areas Program	95.001	N/A	43,632	-	43,632	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via US DHS (WA Parks & Rec Comm))	Boating Safety Financial Assistance	97.012	3316FAS16015 3	21,619	-	21,619	-	

The accompanying notes are an integral part of this schedule.

City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via US DHS (WA Military Department))	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D19-111	5,709	-	5,709	-	4a
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via US DHS (WA Military Department))	Emergency Management Performance Grants	97.042	E19-125	50,276	-	50,276	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW2017-FV- 01591	-	927,944	927,944	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via US DHS (WA Military Department))	Pre-Disaster Mitigation	97.047	E17-102	123	-	123	-	4a
Total Federal Awards Expended:				1,940,717	3,286,329	5,227,046	284,765	

The accompanying notes are an integral part of this schedule.

City of Everett
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the full accrual basis of accounting to account for its grants. Under the full accrual basis, revenues are recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - PROGRAM INCOME

- a) The City has a revolving loan program for low-income housing. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$710,038.00 and presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$631,608.50.

NOTE 4 – AWARD FOR PRIOR YEAR EXPENDITURE

- a) The expenditure includes 2018 expenditures. This amount was not included in the prior year's SEFA.

NOTE 5 – PASS THROUGH TO SUBRECIPIENTS

The City awarded \$268,586.31 from the Community Development Block Grant program to non-profit agencies in 2019. The City also awarded \$16,179.14 to other municipalities for activities that improve community response to violence against women.

NOTE 6 – INDIRECT COST RATE

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



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

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

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

Finding ref number: 2019-001	Finding caption: The City’s internal controls over financial statement preparation were not adequate to ensure accurate financial reporting.
Name, address, and telephone of City contact person: Andy Lee 425-257-8604 2930 Wetmore Avenue Suite 9H Everett, WA 98201	
Corrective action the auditee plans to take in response to the finding: <i>The City of Everett concurs with the deficiencies identified by the Washington State Auditor’s Office. The City has taken steps to improve its financial reporting process. The Finance staff is current on all recently issued GASB statements. However, in calculating the major funds, the Finance staff relied on the template created when Statement No. 34 was implemented in 2001. The template lists the major fund criteria but did not contain detailed instructions on calculation method. Until 2019, the fund balances of the four major funds were so significantly greater than the other funds that other financing sources and uses didn’t impact the outcome of the calculations. The template and calculation procedure have now been updated. The City understands its responsibility to have adequate procedures in place for the preparation and review of the financial statements. We thank the Washington State Audit staff for their support as the City continues to improve its financial reporting process.</i>	
Anticipated date to complete the corrective action: July 1, 2020	

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov