



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Edmonds

For the period January 1, 2020 through December 31, 2020

*Published March 31, 2022*

Report No. 1030259



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

March 31, 2022

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

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](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Edmonds January 1, 2020 through December 31, 2020

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

#### Financial Statements

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

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

We issued an adverse opinion on the City’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## City of Edmonds January 1, 2020 through December 31, 2020

### **2020-001 The City's internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring**

<b>CFDA Number and Title:</b>	21.019 – COVID-19 – Coronavirus Relief Fund
<b>Federal Grantor Name:</b>	U.S. Department of the Treasury
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Commerce, Snohomish County, and Economic Alliance Snohomish County
<b>Pass-through Award/Contract Number:</b>	20-6541C-167
<b>Questioned Cost Amount:</b>	\$871,500

### *Background*

The purpose of the Coronavirus Relief Fund (CRF) program is to provide payments to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic.

During fiscal year 2020, the City spent \$2,123,907 in program funds to cover additional costs the City incurred during the pandemic, including teleworking equipment, personal protective equipment, and payroll. Additionally, the City spent \$1,345,500 of these funds to establish a program that provided direct assistance payments to local businesses financially affected by COVID-19. The program funds also included \$456,344 passed through to four subrecipients to fulfill components of the program's objectives. The portion of program funds the City passed through to the subrecipients provided emergency assistance to households financially affected by COVID-19.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include

understanding program requirements and monitoring the effectiveness of established controls.

#### *Activities Allowed/Allowable Costs*

For the CRF program, the costs that recipients submit for federal reimbursement must have been necessary for responding to the COVID-19 pandemic and not previously included in budgets prior to March 27, 2020. All costs recipients charge to the CRF program must comply with program requirements and be supported by proper documentation demonstrating costs are specifically related to COVID-19 activities.

#### *Subrecipient Monitoring*

Whenever the City passes on federal funding to subrecipients, federal regulations require the City to clearly identify the subaward contract as a federal award and include all applicable program requirements. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award. To determine the appropriate level of monitoring, the City must evaluate each subrecipient's risk of noncompliance with federal requirements. For this award, monitoring would include verifying the subrecipients only provided assistance to participants who met eligibility requirements and claimed reimbursement for allowable costs.

### ***Description of Condition***

#### *Activities Allowed/Allowable Costs*

The City established four eligibility criteria for local businesses to receive assistance payments, but it did not have a process for verifying that businesses met all of these criteria. For one of the criteria, City employees relied on each business' application and self-attestation without verifying the information was accurate to ensure businesses were eligible to receive assistance payments.

#### *Subrecipient Monitoring*

The City contracted with four local nonprofit organizations to administer housing assistance programs and distribute food to food-insecure individuals and households in Edmonds. The City did not include all required elements in the subawards and did not perform risk assessments or monitor each subrecipient for compliance with program requirements, as federal regulations require.

We consider these deficiencies in internal controls to be material weaknesses, which led to material noncompliance. These issues were not reported as a finding in the prior audit.

## *Cause of Condition*

Many businesses and people experienced sudden financial hardship due to the COVID-19 pandemic. In an effort to help preserve its local economy, the City acted quickly by providing assistance payments to businesses and passing funds to nonprofit organizations it had worked with in the past for other programs. However, the CRF program was a new type of federal funding for the City, and it had not previously used federal funds to provide direct assistance payments to local businesses or passed funding through to subrecipients.

As such, City employees lacked adequate experience and needed training to know they should have independently verified each business met all eligibility criteria before awarding assistance. Further, City employees were not aware of all federal requirements involved when passing funding through to subrecipients.

## *Effect of Condition and Questioned Costs*

### *Activities Allowed/Allowable Costs*

Without obtaining documentation from business grant applicants to verify they met all eligibility criteria, the City cannot ensure business relief grant costs were allowable. During the audit, we gave the City the opportunity to obtain documentation from businesses to support their eligibility. In January 2022, the City hired a contractor to request and review supporting documentation from the 172 businesses that received CRF funds. We reviewed the information the contractor obtained and found the following:

- Eight businesses did not respond to the City's request for financial information or, after some communication, did not provide financial information. These businesses received a total of \$62,000.
- Twenty-nine businesses did not meet the City's eligibility criteria, based on the information they provided. These businesses received a total of \$235,500.

An additional 74 businesses that received a total of \$574,000 in direct business grants provided tax returns, quarterly reports, profit and loss statements or other financial information that showed a loss in revenues for the respective period. However, based on the information provided, we could not confirm a year-over-year business/revenue loss of at least 30 percent in April or May 2020, which the City's eligibility criteria required.

We also could not confirm the expenditures the City charged to the program were allowable for these businesses. As such, we are questioning these costs.



### *Subrecipient Monitoring*

The City did not include all required information in the four subrecipient contracts, such as the subrecipient's unique entity identifier, federal award date, name of federal awarding agency, pass-through entity, contact information for awarding official of the pass-through entity, and the program's CFDA number and name. Without this information, the subrecipient is at an increased risk of not knowing the award comes from a federal program. This also increases the risk the subrecipient would not know it needs to comply with specific program requirements, which could potentially lead to spending funds for unallowable purposes.

Further, without performing risk assessments and adequately monitoring subrecipients, the City cannot ensure it is performing the proper level of monitoring and that subrecipients are complying with program requirements. Because the City did not perform risk assessments and monitor the four subrecipients, we gave the City the opportunity to perform monitoring during the audit and verify if subrecipients complied with the terms and conditions of the subaward. In early 2022, the City hired a contractor to perform risk assessments and review three of the subrecipients to verify they only provided assistance to eligible participants and complied with program requirements. The City found the subrecipients did not have adequate support demonstrating participant eligibility. As a result, we are considering the costs the City passed through to subrecipients, totaling \$456,344, to be unsupported payments.

### ***Recommendation***

We recommend the City:

- Provide adequate training to staff responsible for administering federal programs
- Dedicate the necessary time and resources to staying updated on program guidance and ensuring compliance with all program requirements
- Verify that beneficiaries of public funds meet all of the City's eligibility criteria before awarding funds
- Include all required elements in subaward agreements, assess subrecipients' risk, and monitor them accordingly to verify they are complying with the terms and conditions of the award and only providing funds to eligible participants

## *City's Response*

*The City of Edmonds appreciates the opportunity to respond to the Washington State Auditor's Office's (SAO) conclusions. The City is committed to establishing and following effective internal controls for administering federal grants and for compliance with federal uniform guidance for grant administration, and to monitor any transactions with subrecipients to ensure compliance with federal requirements.*

*During 2020 the City endeavored to distribute Coronavirus Relief Funds as expeditiously as possible into the community where support was most needed due to the devastating impact on residents and businesses because of the COVID-19 pandemic. We worked very hard to distribute these funds quickly and efficiently, which we believe had a very significant, positive impact on our community.*

*In our attempts to get the grant money into the community as quickly as possible, the City relied in part upon business's self-certification of our eligibility requirements under penalty of perjury. After distributing the CARES funds we became aware that some of the businesses to whom grants had been awarded did not meet the eligibility requirements. When we learned this we performed our own internal audit to determine the number of businesses that were not eligible. After reviewing our audit results, the SAO determined that 29 businesses who did not meet our grant requirements nevertheless submitted applications and received grants totaling \$235,500. Another 8 businesses have not responded to our requests for documentation; those businesses received grants totaling \$62,000. The City is exploring various remedies that may be available and appropriate, including but not limited to civil suits and criminal prosecution, to recover this \$297,500 in grant funds or otherwise hold wrongdoers accountable for their actions.*

*The remaining questioned costs of \$574,000 are from 74 businesses who were able to supply documentation of losses that they incurred on an annual basis, but were unable to supply information specific to April or May of 2020. Because these businesses were able to show proof of COVID-related income losses, we are not intending to pursue legal action in these cases at this time.*

*The City acted in good faith to quickly deliver aid and assistance to our residents, following the guidance and direction available at the time from the Department of Treasury and the Department of Commerce. Overall, City staff administered this highly complex and time sensitive program in a professional manner while dealing with emergency circumstances. We acknowledge that this does not relieve the City of the necessity to ensure that assistance payments are distributed only to those who meet our eligibility requirements. The City will also provide training to ensure that subrecipients are evaluated and monitored sufficiently to ensure eligibility and to reduce any risk of*

*noncompliance. We are planning to add additional staff to provide better monitoring of the distribution of future grants funds, and we will provide staff with the time, resources, and training necessary to avoid these errors from occurring again.*

### ***Auditor's Remarks***

We appreciate the City's commitment to resolving this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during the next regular audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass through entities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 42 U.S. Code of Federal Regulations (CFR) Part 801, Coronavirus Relief Fund establishes allowable costs of the program.

2 CFR Part 200, Subpart E, cost principles do not apply to the Coronavirus Relief Fund. Therefore, auditors refer to guidance and FAQs from the U.S. Department of the Treasury and the pass-through agency, the Washington State Department of Commerce, as the criteria when testing the allowability of costs under the Fund. Guidance and FAQs from both the U.S. Department of the Treasury and the Washington State Department of Commerce can be found at: <https://www.commerce.wa.gov/serving-communities/local-government/covid-resiliency-grants/>. These documents speak to the grantors' expectation that local governments obtain documentation that supports how businesses met eligibility criteria.

## INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### **City of Edmonds January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2021.

As discussed in Note 2 to the financial statements, during the year ended December 31, 2020, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

June 30, 2021

# INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

## City of Edmonds January 1, 2020 through December 31, 2020

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Edmonds, 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, 2020. 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 adverse opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Basis for Adverse Opinion on 21.019 - Coronavirus Relief Fund**

As described in Finding 2020-01 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the City did not comply with requirements regarding 21.019 - Coronavirus Relief Fund for Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### **Adverse Opinion on 21.019 - Coronavirus Relief Fund**

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the City did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 21.019 – Coronavirus Relief Fund for the year ended December 31, 2020.

### **City's Response to Findings**

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

### **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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.



Pat McCarthy, State Auditor

Olympia, WA

March 29, 2022



# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **City of Edmonds January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

#### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 20.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 2 to the financial statements, in 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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 20 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 June 30, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 30, 2021

**City of Edmonds  
January 1, 2020 through December 31, 2020**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – 2020

Statement of Changes in Fiduciary Net Position – 2020

Notes to the Financial Statements – 2020

**REQUIRED SUPPLEMENTARY INFORMATION**

Firemen's Pension Fund Other Post-Employment Benefits – Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

Firemen's Pension Fund – Schedule of Changes in the City's Net Pension Liability and Related Ratios – 2020

Firemen's Pension Fund – Schedule of City Contributions – 2020

Schedules of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2020

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of this provides an overview of the City's financial activities for the year ended December 31, 2020. The purpose is to highlight significant financial issues, major financial activities and resulting changes in the financial position and economic factors affecting the City. The reader is encouraged to consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, the City's financial statements and the accompanying notes following the financial information.

### Financial Highlights

- The regional, national and global economies were impacted significantly in 2020 by the pandemic brought on by the COVID-19 virus. While some industries were devastated – travel/tourism and in-person entertainment such as concerts and sporting events, for example – the City's revenue performance remained surprisingly strong in 2020. In the General Fund Taxes, Licenses and Permits, and Charges for Services decreased by only \$1,139,116 compared to 2019, a 3.0% decrease, and assessed property values in the City increased by 7.7 percent over 2019.
- The assets and deferred outflows of resources of the City of Edmonds exceeded its liabilities and deferred inflows at fiscal year-end by \$198.3 million (net position), an increase of \$12.2 million over 2019. Of this amount, \$144.6 million is a net investment in capital assets. The unrestricted net position totals \$34.2 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals \$19.5 million and is earmarked for debt service, capital projects and special revenue funds.
- The City's total net position improved by \$12.2 million in 2020. Governmental activities increased by \$2.7 million and business-type activities increased by \$9.5 million, mostly the result of a bond issuance in late 2020.
- Governmental funds reported a combined ending fund balance of \$34.5 million; a \$1.6 million reduction from the prior year. Of this amount, \$14.4 million is unassigned and available to fund ongoing activities. The committed fund balance category totals \$3.1 million and the assigned fund balance category totals \$2 million. The 2020 unassigned fund balance equals 25.9% of 2020 general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Edmonds basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information contained in the report is intended to furnish additional detail to support the basic financial statements.

### Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Edmonds as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the city's financial position in a manner like that of the private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect the cash flows until future periods.

The focus of the **Statement of Net Position** is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The **Statement of Activities** presents both the gross and net cost of various functions, including both

governmental and business-type activities, which are supported by the City's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

Governmental activities of the City include general government (executive, finance, legal, human resources, and court), public safety, utilities and environment, transportation, economic environment, mental and physical health, and culture and recreation. The City's business-type activities include water, sewer, and storm utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The City also includes as a discretely presented component unit the Edmonds Public Facilities District (PFD), a performing arts center in Edmonds, and the PFD's blended component unit, the Edmonds Center for the Arts, a non-profit established to collect donations and manage the operations for the PFD. Although legally separate, the PFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

### **Fund Financial Statements**

The annual financial report includes fund financial statements in addition to the government-wide statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type, such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Edmonds, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City presents three categories of funds: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining which financial resources are available in the near future to finance City programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Funds' Balance Sheet and the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

Information for the major governmental funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the non-major funds is presented in the aggregate.

The City's main operating fund is the General Fund. However, the City maintains many accounts and seven sub-funds within the General Fund. The remaining governmental funds are combined into a single column labeled non-major governmental funds. Individual fund data for each of the non-major governmental funds can be found in combining statements later in the report.

The City maintains control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and accordance with state law. A budgetary comparison is presented for the General Fund as part of the basic financial statements. The basic governmental fund financial statements can be found after the government-wide statements of this report.

*Proprietary funds* account for services for which the City charges outside customers and other City

departments. Proprietary funds provide the same information as shown in the government-wide financial statements, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided to City departments.

The enterprise fund statements provide information for the City's water, sewer, and storm water utilities. The City uses internal service funds to account for its fleet of vehicles and its technology equipment. Because these internal services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found following the governmental fund statements of this report.

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent for individuals or other entities. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position as part of the basic financial statements. The basic fiduciary fund financial statements can be found following the proprietary fund statements of this report.

### Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pensions and other post-employment benefits. Additional information can be found in Note 10 – Pension Plans and Note 11 – Other Post-Employment Benefits.

### Government-wide Financial Analysis

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's financial condition. The following two tables address the financial results of the City as a whole. The first table is a condensed version of the 2020 government-wide statement of net position with a comparison to 2019:

#### Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 54,428,570	\$ 56,272,471	\$40,144,165	\$31,928,197	\$ 94,572,735	\$ 88,200,668
Capital assets, net	78,793,002	75,296,662	113,972,003	98,151,383	192,765,005	173,448,045
Total assets	133,221,572	131,569,133	154,116,168	130,079,580	287,337,740	261,648,713
Deferred outflows of resources	2,689,090	2,186,285	436,657	434,888	3,125,747	2,621,173
Deferred outflows of resources	2,689,090	2,186,285	436,657	434,888	3,125,747	2,621,173
Total assets and deferred outflows of resources	135,910,662	133,755,418	154,552,825	130,514,468	290,463,487	264,269,886
Current liabilities	6,320,709	4,603,696	6,960,202	4,109,558	13,280,911	8,713,254
Noncurrent liabilities	21,227,359	21,361,446	54,672,191	42,663,261	75,899,550	64,024,707
Total liabilities	27,548,068	25,965,142	61,632,393	46,772,819	89,180,461	72,737,961
Deferred inflows of resources	2,537,375	4,715,190	387,703	668,932	2,925,078	5,384,122
Deferred inflows of resources	2,537,375	4,715,190	387,703	668,932	2,925,078	5,384,122
Total liabilities and deferred inflows of	30,085,443	30,680,332	62,020,096	47,441,751	92,105,539	78,122,083
<b>NET POSITION</b>						
Net investment in capital assets	76,233,673	72,350,862	68,391,695	54,539,364	144,625,368	126,890,226
Restricted	16,255,342	20,538,591	3,296,724	2,983,688	19,552,066	23,522,279
Unrestricted	13,336,204	10,185,633	20,844,310	25,549,665	34,180,514	35,735,298
Total net position	\$105,825,219	\$103,075,086	\$92,532,729	\$83,072,717	\$198,357,948	\$186,147,803



**Analysis of Net Position**

Total net position (assets and deferred outflows, minus liabilities and deferred inflows) of the primary government was \$198.3 million at December 31, 2020 an improvement of \$12.2 million or 6.5% compared to December 31, 2019. Governmental activities increased their net position by \$2.7 million and business-type activities increased their net position by \$9.5 million.

The largest component of the City's net position, \$144.6 million, or 72.9%, is its investment in capital assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide services to the citizens. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations.

Approximately \$19.5 million of the primary government's total net position is restricted for debt service payments, transportation improvements, and other purposes, a decrease of \$4.0 million compared to 2019. The primary government's December 31, 2020 unrestricted net position totals \$34.2 million, a decrease of \$1.5 million compared to 2019.

The December 31, 2020 governmental activities unrestricted net position of \$13.4 million may be used to meet ongoing obligations to citizens and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of these resources for future use.

Restricted governmental fund net position is \$16.2 million and is restricted for purposes such as debt service, public safety, transportation, culture and recreation, and other purposes.

Unrestricted net position of the City's business-type activities totals \$20.8 million, representing the portion of unrestricted net position that may only be spent on activities related to one of the City's utilities (water, sewer, and storm water). Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, water meter reading, and the wastewater treatment plant.

**Changes in Net Position**

The change in net position represents the increase or decrease in City net position resulting from its various activities. The following table is a condensed version of the City's changes in net position and compares 2020 results with 2019. This table shows program revenues, their respective expenses and the overall changes in net position for both governmental-type and business-type activities:

## Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 12,634,784	\$ 13,372,648	\$27,280,123	\$25,983,491	\$ 39,914,907	\$ 39,356,139
Operating grants and contributions	2,619,351	633,296	25,297	34,198	2,644,648	667,494
Capital grants and contributions	2,158,357	1,796,082	5,511,256	1,457,600	7,669,613	3,253,682
General revenues:						
Property taxes	14,599,185	14,386,149	-	-	14,599,185	14,386,149
Sales taxes	9,397,119	9,477,813	-	-	9,397,119	9,477,813
Interfund utility taxes	2,359,529	2,450,254	-	-	2,359,529	2,450,254
Utility taxes	4,133,662	4,242,835	-	-	4,133,662	4,242,835
Excise taxes	6,248,492	5,690,723	-	-	6,248,492	5,690,723
Interest and investment earnings	691,210	1,468,251	165,842	363,547	857,052	1,831,798
Miscellaneous	552,738	274,840	3,544	-	556,282	274,840
Gains on disposition of assets	273,183	23,386	-	-	273,183	23,386
<b>Total revenues</b>	<b>55,667,610</b>	<b>53,816,277</b>	<b>32,986,062</b>	<b>27,838,836</b>	<b>88,653,672</b>	<b>81,655,113</b>
<b>EXPENSES</b>						
Governmental activities:						
General government	16,103,089	13,458,742	-	-	16,103,089	13,458,742
Public safety	25,261,314	26,060,416	-	-	25,261,314	26,060,416
Utilities and environment	229,528	201,958	-	-	229,528	201,958
Transportation	4,885,398	7,185,216	-	-	4,885,398	7,185,216
Economic environment	1,461,200	1,640,845	-	-	1,461,200	1,640,845
Mental and physical health	147,957	166,750	-	-	147,957	166,750
Culture and recreation	4,682,914	5,405,494	-	-	4,682,914	5,405,494
Interest on long-term debt	146,808	48,910	-	-	146,808	48,910
Business-Type activities:						
Sewer Fund	-	-	10,930,526	12,068,583	10,930,526	12,068,583
Storm Fund	-	-	5,021,779	4,374,384	5,021,779	4,374,384
Water Fund	-	-	7,573,014	8,164,665	7,573,014	8,164,665
<b>Total expenses</b>	<b>52,918,208</b>	<b>54,168,331</b>	<b>23,525,319</b>	<b>24,607,632</b>	<b>76,443,527</b>	<b>78,775,963</b>
Excess (deficiency) before transfers	2,749,402	(352,054)	9,460,743	3,231,204	12,210,145	2,879,150
Transfers	731	11,984	(731)	(11,984)	-	-
Increase (decrease) in net position	2,750,133	(340,070)	9,460,012	3,219,220	12,210,145	2,879,150
Net position - beginning	103,075,086	103,415,154	83,072,717	79,853,497	186,147,803	183,268,651
<b>Net position - ending</b>	<b>\$105,825,219</b>	<b>\$103,075,084</b>	<b>\$92,532,729</b>	<b>\$83,072,717</b>	<b>\$198,357,948</b>	<b>\$186,147,801</b>

### Analysis of the Changes in Net Position

Net position of the primary government increased by \$12.2 million, mostly due to the sale of \$13.9 million of Climate Bonds in the Sewer Fund. Total government-wide revenues of the primary government increased by \$7.0 million or 8.5% and total expenses decreased by \$2.3 million or 3.0% over the prior year. These changes are discussed in more detail below.

#### Governmental Activities:

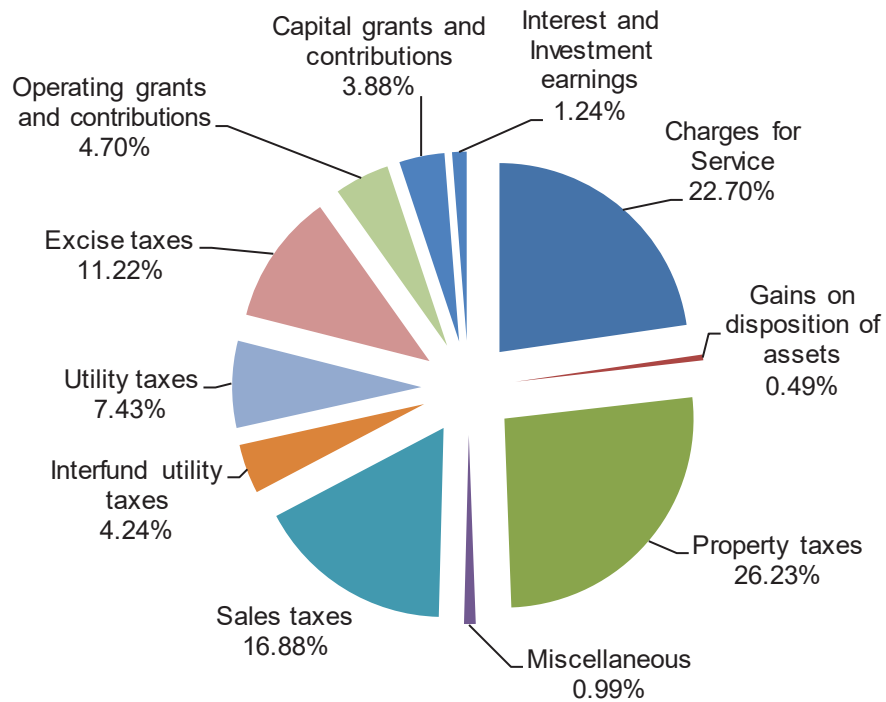
The table above shows the net position for Governmental activities increased by \$2.7 million. This increase is the result of an increase in total revenues combined with a reduction of total expenses in 2020. Governmental activity expenditures decreased by \$1.3 million or 2.3% and Governmental activity revenues increased by \$1.8 million, or 3.4% from 2019 levels.

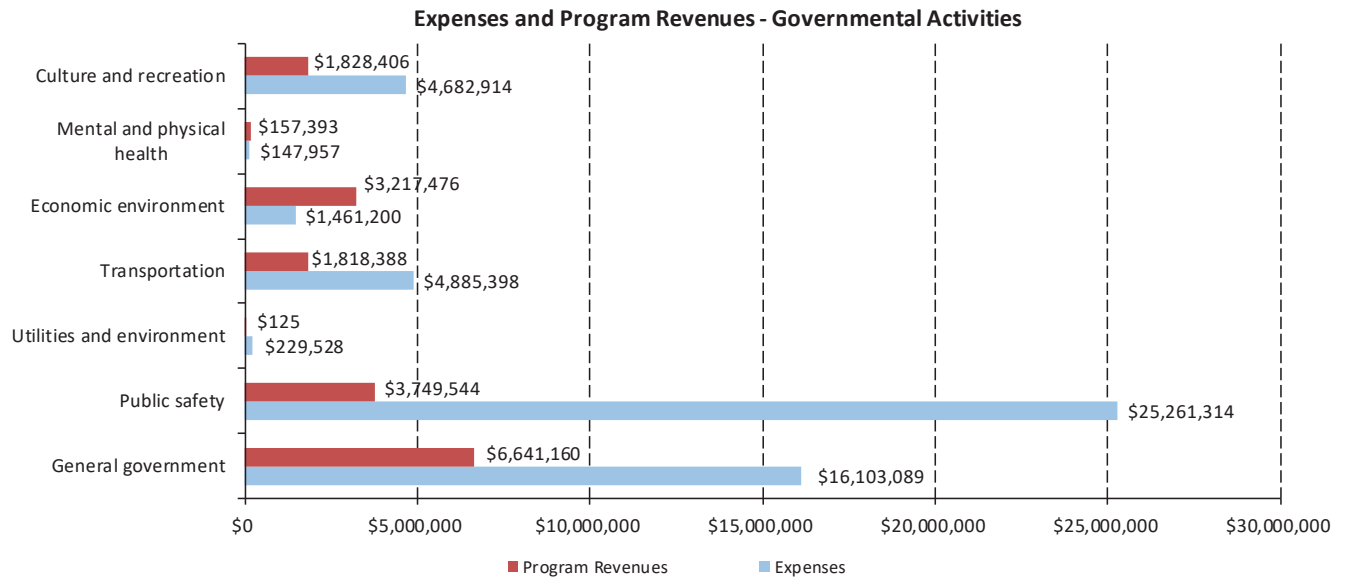
The expenditure decrease is due to severe pandemic-related cutbacks, primarily in public safety, transportation, and cultural services expenditures in the City. The decreased spending was matched with an increase to general revenues. The increase in revenues is from over \$2 million in Federal CARES funds appropriations and other related funds received from Snohomish County, which the City used to provide assistance to local individuals, businesses, and other organizations. Below are additional significant changes to revenues for 2020:

- As a result of record low interest rates, Interest and Investment Earnings decreased by \$777,756, or 47.02%.
- Property tax revenue increased \$248,154, or 1.7%.
- Sales tax collections decreased by \$72,347, or 0.8%.
- Excise taxes increased by \$561,016 or 9.9%.

The next chart summarizes the government activity revenue by source, while the second one reflects the specific programs' revenues and related expenses for the various activities of the City. Gaps between specific programs' revenues and their related expenditures are funded through general tax revenues.

**Revenues by Source - Governmental Activities**



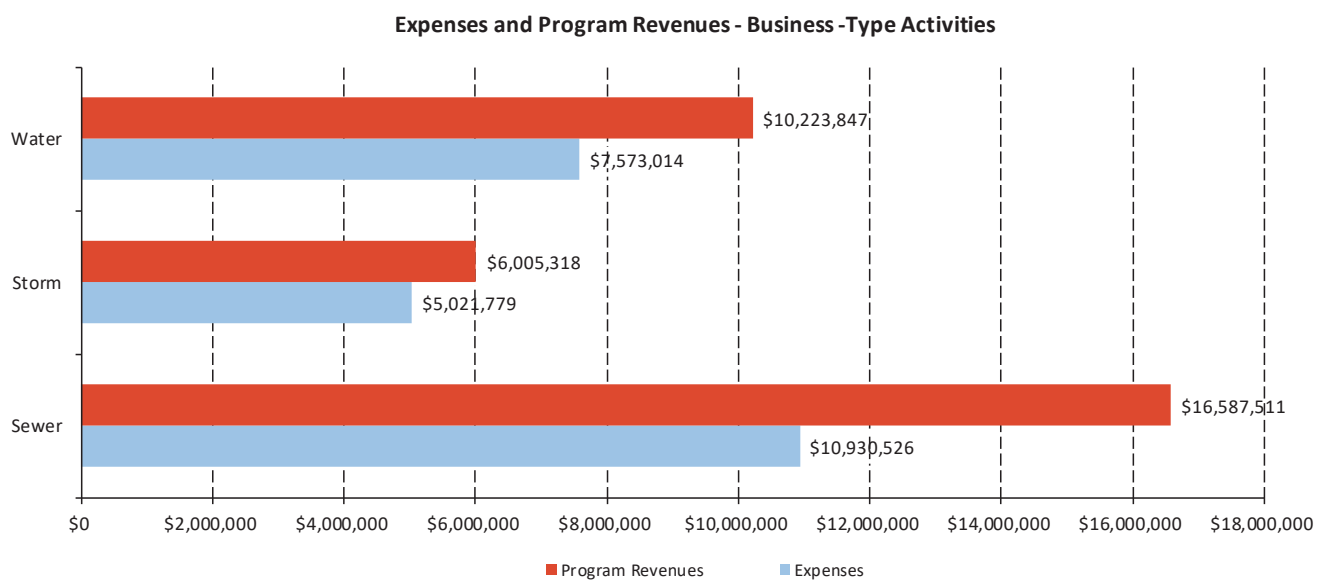


### Business-type Activities:

Business-type activities net position increased by \$9.5 million, or 11.4%. A key component of this increase includes a sale of \$13.9 million of Climate Bonds.

The majority of net position in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, storm water infrastructure, and the wastewater treatment plant. As such, most of the net position is not available to support the ongoing expenses of the funds.

The following chart depicts major sources of revenue for business-type activities:



**Financial Analysis of the City’s Funds**

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

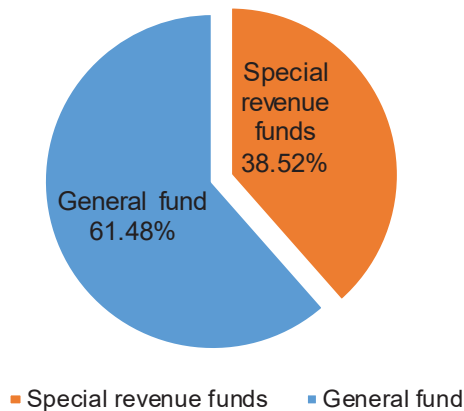
**Governmental funds**

The purpose of the City’s governmental funds is to report on near-term revenues/financial resources and expenditures. This information helps determine the City’s financial requirements in the near future. Specifically, fund balance is a good indicator of the City’s financial resources.

As of December 31, 2020, the City’s governmental funds had combined fund balances of \$34.5 million, a decrease of \$1.6 million or 4.5% from 2019. Approximately 41.8% or \$14.4 million of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council’s discretion, and \$2 million is assigned for future development of Civic Park. The 2020 unassigned fund balance equals 33.3% of 2020 General Fund expenditures, indicating that the City is in a strong financial position. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed for debt service payments, public safety, transportation, recreation and other purposes.

The General Fund, Fund 001, is the primary operating fund of the City. Primarily due to the effects of the COVID-19 pandemic, the 2020 fund balance experienced a decrease of \$1.6 million or 8.5% from 2019. The following chart shows the relative fund balances for governmental funds:

**Governmental Funds - Fund Balance**



**Proprietary funds**

The City of Edmonds’ proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the combined utility funds at the end of the year amounted to \$20.8 million, a \$4.7 million decrease over 2019. The change in total net position for the three funds was a \$9.5 million increase.

**General Fund Budgetary Highlights**

The City of Edmonds produces an annual budget document to fulfill the Community’s vision for where City resources should be directed. The budget reflects the City Council’s goals of maintaining long-term financial health and stability in the City’s General Fund and reserves, while continuing the delivery of high-quality services to citizens.

The original 2020 General Fund expenditure budget of \$ 48.7 million was amended to include additional appropriations of \$1.1 million, the majority of which was for building maintenance projects. A comparison of the actual performance of the General Fund on a budgetary basis to the final budget indicates that total budgeted revenues (excluding transfers) exceeded actual revenues by \$1.6 million. This was primarily due to

decreases in sales tax, development services, and cultural services revenues, largely as a result of the pandemic.

Total actual expenditures were \$3.4 million or 7.2% under budget, excluding transfers, in the General Fund. The under expenditures are mainly from reduced salaries and benefits due to a hiring freeze, a reduction in professional services and consultants, and reduced spending on large maintenance projects, mostly a result of the pandemic.

## Capital Asset and Debt Administration

### Capital Assets

The City of Edmonds' investment in capital assets for governmental and business-type activities as of December 31, 2020 amounts to \$144.6 million (net of accumulated depreciation), an increase of \$17.7 million from 2019. This investment in capital assets includes land and construction in progress, which are not subject to depreciation. Other capital assets, including buildings, improvements other than buildings, infrastructure, machinery and equipment, and intangible assets, are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$78.8 million in 2020, an increase of \$3.5 million from 2019. Business-type capital assets (net of depreciation) totaled \$114.0 million, an increase of \$15.8 million from 2019. In addition to the effects depreciation, these changes are the result of capitalizing construction in progress, and acquisition of machinery and equipment. More information on the City's Capital Assets can be found in Note 9 – Capital Assets and Depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/20	As of 12/31/19	As of 12/31/20	As of 12/31/19	As of 12/31/20	As of 12/31/19
	(in thousands)					
Land	\$ 17,688	\$ 17,688	\$ 1,257	\$ 1,257	\$ 18,945	\$ 18,945
Building	7,283	7,296	15,460	16,140	22,743	23,436
Improvements other than buildings	14,232	15,020	78,439	72,432	92,672	87,452
Infrastructure	26,640	27,786			26,640	27,786
Machinery and Equipment	5,113	5,131	492	537	5,604	5,668
Intangible Assets	0	0	29	31	29	31
Construction in Progress	7,836	2,376	18,295	7,755	26,132	10,131
<b>Total</b>	<b>\$ 78,793</b>	<b>\$ 75,297</b>	<b>\$ 113,972</b>	<b>\$ 98,152</b>	<b>\$ 192,765</b>	<b>\$ 173,449</b>

### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$61,492,987. Of this amount, \$7,759,103 is general obligation bonds for governmental activities, \$1,478,884 is general obligation bonds for business-type activities and \$52,255,000 is revenue bonds for business-type activities for the City-operated utilities. The City currently maintains a rating of AA with Standard & Poor's and Aa3 with Moody's.

The following schedule summarizes the City's long-term debt. For additional detailed information on long-term debt activity please see Notes 12 and 13.

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/20	As of 12/31/19	As of 12/31/20	As of 12/31/19	As of 12/31/20	As of 12/31/19
General Obligation Debt	\$ 7,759,103	\$ 8,595,125	\$ 1,478,884	\$ 1,738,359	\$ 9,237,987	\$ 10,333,484
Revenue Bonds	-	-	52,255,000	39,770,000	52,255,000	39,770,000
Notes from Direct Borrowing	318,283	390,484	1,576,283	1,556,398	1,894,566	1,946,882
<b>Total</b>	<b>\$ 8,077,386</b>	<b>\$ 8,985,609</b>	<b>\$ 55,310,167</b>	<b>\$ 43,064,757</b>	<b>\$ 63,387,553</b>	<b>\$ 52,050,366</b>

## **Economic Factors and Next Year's Budgets**

Principal factors influencing the City's 2021 budget include continued improvement in sales tax and excise tax revenues stemming from the improving retail sales, sales of real estate, and construction activity in the City, and slow growth in the overall economy.

The 2021 budget was adopted in December 2020 by the City Council. Our budget reflects the City Council's goals, maintains long-term financial health and stability of our General Fund and reserves, and despite the uncertainty around the economic effects of the pandemic, continues the delivery of high-quality services for our community. The 2021 budget includes these priorities:

- \$500,000 to begin implementation of a new Human Services Program
- \$50,000 to enhance our arts & culture through the Edmonds Center for the Arts
- \$50,000 for Equity Diversity training for all staff and board and commission members
- \$2.2 million for pedestrian safety improvements
- \$500,000 to start a new Open Space fund that will grow every year
- \$6.03 million for construction of Civic Park
- \$22.2 million for the Wastewater Carbon Recover Project
- \$900,000 for Daylighting of Willow Creek
- \$100,000 for a new Greenhouse
- \$875,000 for Highway 99 Revitalization
- \$2.6 million for the City's pavement overlay program

## **Requests for Information**

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about this report, please contact the Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020.

City of Edmonds  
Statement of Net Position  
December 31, 2020

	Primary Government			Component Unit
	Governmental	Business-type	Total	Edmonds Public Facilities
	Activities	Activities		District
<b>ASSETS</b>				
Current assets:				
Cash & equity in pooled investments	\$ 19,046,314	\$ 12,133,991	\$ 31,180,305	\$ 101,256
Investments	10,894,660	8,321,570	19,216,230	-
Taxes receivable	383,437	-	383,437	-
Customer accounts	634,325	3,946,665	4,580,990	40,157
Court receivable	384,265	-	384,265	-
Other receivable	-	-	-	127,702
Interest on investments	324,317	151,255	475,572	-
Due from other governments	4,195,707	3,245,586	7,441,293	165,039
Due from component unit	400,000	-	400,000	-
Inventory of materials & supplies	53,158	148,899	202,057	5,270
Prepayments	-	-	-	59,523
<b>Total current assets</b>	<b>36,316,183</b>	<b>27,947,966</b>	<b>64,264,149</b>	<b>498,947</b>
Noncurrent assets:				
Restricted cash and cash equivalents	8,288,515	12,196,199	20,484,714	138,071
Due from component unit - long-term	3,400,552	-	3,400,552	-
Restricted net pension asset	4,656,343	-	4,656,343	-
Investment in joint venture	1,766,977	-	1,766,977	-
Depreciable capital assets (net)	53,268,149	94,419,813	147,687,962	6,845,623
Non Depreciable capital assets	25,524,853	19,552,190	45,077,043	3,607,031
<b>Total noncurrent assets</b>	<b>96,905,389</b>	<b>126,168,202</b>	<b>223,073,591</b>	<b>10,590,725</b>
<b>Total assets</b>	<b>133,221,572</b>	<b>154,116,168</b>	<b>287,337,740</b>	<b>11,089,672</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - Debt refunding	7,410	63,655	71,065	-
Deferred outflows of resources - Pension	2,681,680	373,002	3,054,682	-
Deferred outflows of resources - PFD	-	-	-	143,489
<b>Total deferred outflows of resources</b>	<b>2,689,090</b>	<b>436,657</b>	<b>3,125,747</b>	<b>143,489</b>
<b>Total assets and deferred outflows of resources</b>	<b>135,910,662</b>	<b>154,552,825</b>	<b>290,463,487</b>	<b>11,233,161</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,334,643	3,117,700	5,452,343	162,261
Accrued wages	1,254,719	223,511	1,478,230	39,889
Internal balances	(231,144)	231,144	-	-
Due to other governmental units	-	307,896	307,896	-
Other current liabilities	206,158	582,697	788,855	-
Accrued bond interest payable	17,206	155,892	173,098	4,635
Deposits payable	-	6,148	6,148	28,255
Due within one year	2,739,127	2,335,214	5,074,341	703,509
Unearned Revenue	-	-	-	468,131
<b>Total current liabilities</b>	<b>6,320,709</b>	<b>6,960,202</b>	<b>13,280,911</b>	<b>1,406,680</b>
Noncurrent liabilities:				
Pension liabilities	4,558,174	936,895	5,495,069	390,704
Total other post employment liability	8,365,221	-	8,365,221	-
Due in more than one year	8,303,964	53,735,296	62,039,260	5,714,363
<b>Total noncurrent liabilities</b>	<b>21,227,359</b>	<b>54,672,191</b>	<b>75,899,550</b>	<b>6,105,067</b>
<b>Total liabilities</b>	<b>27,548,068</b>	<b>61,632,393</b>	<b>89,180,461</b>	<b>7,511,747</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - Debt refunding	103,485	18,244	121,729	-
Deferred inflows of resources - Pension	2,433,890	369,459	2,803,349	-
Deferred inflows of resources - PFD	-	-	-	108,664
<b>Total deferred inflows of resources</b>	<b>2,537,375</b>	<b>387,703</b>	<b>2,925,078</b>	<b>108,664</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>30,085,443</b>	<b>62,020,096</b>	<b>92,105,539</b>	<b>7,620,411</b>
<b>NET POSITION</b>				
Net investment in capital assets	76,233,673	68,391,695	144,625,368	4,101,920
Restricted for:				
Customer Deposits	-	6,148	6,148	-
Debt Service	-	3,290,576	3,290,576	985,585
Public Safety	74,303	-	74,303	-
Transportation	3,220,074	-	3,220,074	-
Economic Environment	86,073	-	86,073	-
Social Services	78,441	-	78,441	-
Culture and Recreation	8,129,745	-	8,129,745	-
Other	10,363	-	10,363	-
Pensions	4,656,343	-	4,656,343	-
Unrestricted	13,336,204	20,844,310	34,180,514	(1,474,755)
<b>Total net position</b>	<b>\$ 105,825,219</b>	<b>\$ 92,532,729</b>	<b>\$ 198,357,948</b>	<b>\$ 3,612,750</b>

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



City of Edmonds  
Statement of Activities  
For the Year Ended December 31, 2020

Page 1 of 2

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 16,103,089	\$ 6,559,215	\$ 81,945	\$ -
Public safety	25,261,314	3,120,543	249,731	379,270
Utilities and environment	229,528	-	125	-
Transportation	4,885,398	925,912	137,663	754,813
Economic environment	1,461,200	1,189,731	2,027,745	-
Mental and physical health	147,957	157,393	-	-
Culture and recreation	4,682,914	681,990	122,142	1,024,274
Interest on long-term debt	146,808	-	-	-
Total governmental activities	<u>52,918,208</u>	<u>12,634,784</u>	<u>2,619,351</u>	<u>2,158,357</u>
Business-type activities:				
Sewer Utility	10,930,526	11,855,940	17,884	4,713,687
Storm Utility	5,021,779	5,453,276	1,958	550,084
Water Utility	7,573,014	9,970,907	5,455	247,485
Total business-type activities	<u>23,525,319</u>	<u>27,280,123</u>	<u>25,297</u>	<u>5,511,256</u>
Total primary government	<u>\$ 76,443,527</u>	<u>\$ 39,914,907</u>	<u>\$ 2,644,648</u>	<u>\$ 7,669,613</u>
<b>Component Unit</b>				
Edmonds Public Facilities District	2,501,386	1,689,533	898,873	130,806
Total component unit	<u>\$ 2,501,386</u>	<u>\$ 1,689,533</u>	<u>\$ 898,873</u>	<u>\$ 130,806</u>

General revenues
Property taxes
Sales taxes
Interfund utility taxes
Utility tax
Excise Taxes
Interest and investment earnings
Miscellaneous
Gains on disposition of assets
Transfers
Total General revenues and Transfers
Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government				Component Unit
Governmental	Business-type			Edmonds Public
Activities	Activities	Total		Facilities District
\$ (9,461,929)	\$ -	\$ (9,461,929)		\$ -
(21,511,770)	-	(21,511,770)		-
(229,403)	-	(229,403)		-
(3,067,010)	-	(3,067,010)		-
1,756,276	-	1,756,276		-
9,436	-	9,436		-
(2,854,508)	-	(2,854,508)		-
(146,808)	-	(146,808)		-
<u>(35,505,716)</u>	<u>-</u>	<u>(35,505,716)</u>		<u>-</u>
-	5,656,985	5,656,985		-
-	983,539	983,539		-
-	2,650,833	2,650,833		-
-	9,291,357	9,291,357		-
<u>(35,505,716)</u>	<u>9,291,357</u>	<u>(26,214,359)</u>		<u>-</u>
				<u>217,826</u>
				<u>217,826</u>
14,599,185	-	14,599,185		-
9,397,119	-	9,397,119		-
2,359,529	-	2,359,529		-
4,133,662	-	4,133,662		-
6,248,492	-	6,248,492		-
691,210	165,842	857,052		600
552,738	3,544	556,282		-
273,183	-	273,183		11
731	(731)	-		-
<u>38,255,849</u>	<u>168,655</u>	<u>38,424,504</u>		<u>611</u>
2,750,133	9,460,012	12,210,145		218,437
103,075,086	83,072,717	186,147,803		3,394,313
<u>\$ 105,825,219</u>	<u>\$ 92,532,729</u>	<u>\$ 198,357,948</u>		<u>\$ 3,612,750</u>

City of Edmonds  
Balance Sheet  
Governmental Funds  
December 31, 2020

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,849,705	\$ 8,833,297	\$ 15,683,002
Investments	4,250,041	4,473,178	8,723,219
Property taxes receivable	383,437	-	383,437
Customer accounts	633,328	-	633,328
Interest on investments	203,438	81,422	284,860
Court Receivable	384,265	-	384,265
Interfund receivable	448,144	-	448,144
Due from other governments	2,517,462	1,675,187	4,192,649
Due from component unit	3,800,552	-	3,800,552
Restricted cash and investments	4,803,516	3,484,999	8,288,515
Total assets	<u>\$ 24,273,888</u>	<u>\$ 18,548,083</u>	<u>\$ 42,821,971</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,197,681	\$ 1,062,071	\$ 2,259,752
Wages and benefits payable	1,156,165	58,617	1,214,782
Interfund payables	-	217,000	217,000
Other current liabilities	139,475	66,682	206,157
Unearned revenues	3,816,828	-	3,816,828
Total liabilities	<u>6,310,149</u>	<u>1,404,370</u>	<u>7,714,519</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - property taxes	197,668	-	197,668
Deferred inflows of resources - court receivable	333,948	-	333,948
Total deferred inflow of resources	<u>531,616</u>	<u>-</u>	<u>531,616</u>
Total liabilities and deferred inflows of resources	<u>6,841,765</u>	<u>1,404,370</u>	<u>8,246,135</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted	-	15,084,001	15,084,001
Committed	1,016,642	2,059,712	3,076,354
Assigned	2,000,000	-	2,000,000
Unassigned	14,415,481	-	14,415,481
Total fund balances (deficits)	<u>17,432,123</u>	<u>17,143,713</u>	<u>34,575,836</u>
Total liabilities and fund balances (deficits)	<u>\$ 24,273,888</u>	<u>\$ 18,548,083</u>	<u>\$ 42,821,971</u>

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

CITY OF EDMONDS, WASHINGTON  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

Total governmental fund balances as reported on this statement \$ 34,575,836

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. These assets consist of:

Land	\$ 17,688,372	
Construction in progress	7,836,481	
	<u>25,524,853</u>	
Subtotal: Non-depreciable capital assets	25,524,853	
Investment in joint venture	1,766,977	
Buildings	24,917,754	
Improvements other than buildings	24,441,805	
Infrastructure	65,186,618	
Machinery and equipment - general government	10,562,344	
Less: Accumulated depreciation	<u>(71,840,372)</u>	
Subtotal: Depreciable capital assets	53,268,149	
		80,559,979

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

Net Pension Asset	4,656,343	
Deferred outflow of resources - bond refunding	7,410	
Deferred outflow of resources - pension (\$66,465 attributable to internal service funds)	2,681,680	
Deferred inflow of resources - property tax	197,668	
Deferred inflow of resources - court receivable	<u>333,948</u>	
		7,877,049

Internal service funds are used by management to charge the cost of equipment maintenance to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position. Capital assets of \$4,746,702 are included in the capital asset adjustment above. The compensated absence liability and the pension amounts are included in the appropriate categories with a note.

5,516,594

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

General obligation bonds	(8,045,000)	
Compensated absences (\$131,856 attributable to internal service funds)	(2,495,038)	
Public works trust fund loans	(318,283)	
Nonexchange Financial Guarantee	<u>(184,770)</u>	
Subtotal: Long-term debt payable	(11,043,091)	
Accrued interest payable	(17,206)	
Total pension liabilities (\$189,624 attributable to internal service funds)	(4,558,174)	
Total other post employment benefit liability	(8,365,221)	
Deferred inflow of resources - bond refunding	(103,485)	
Deferred inflow of resources - pension (\$53,868 attributable to internal service funds)	(2,433,890)	
Unearned revenues reported in the Balance Sheet - Governmental Funds are not reported in the government-wide Statement of Net Position (Note 1)	<u>3,816,828</u>	
		(22,704,239)

Net position of government activities as reported on the statement of net position \$ 105,825,219

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

City of Edmonds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2020

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 30,738,452	\$ 4,532,144	\$ 35,270,596
Licenses and permits	2,276,861	94,932	2,371,793
Intergovernmental	1,633,633	4,425,431	6,059,064
Charges for services	5,412,044	1,573,972	6,986,016
Fines and forfeitures	287,693	-	287,693
Investment earnings	265,629	252,705	518,334
Contributions	125	-	125
Miscellaneous	322,816	689,584	1,012,400
Total revenues	<u>40,937,253</u>	<u>11,568,768</u>	<u>52,506,021</u>
<b>EXPENDITURES</b>			
Current:			
General government	12,879,778	1,775,500	14,655,278
Public safety	23,759,212	30,332	23,789,544
Utilities and environment	-	180,098	180,098
Transportation	5,012	3,380,404	3,385,416
Economic environment	1,675,334	68,152	1,743,486
Mental and physical health	147,957	-	147,957
Culture and recreation	3,732,644	492,697	4,225,341
Debt service:			
Principal	163,840	744,383	908,223
Interest	132,784	100,588	233,372
Capital outlay:			
General government	825,995	-	825,995
Transportation	-	857,396	857,396
Culture and recreation	9,053	4,602,811	4,611,864
Total expenditures	<u>43,331,609</u>	<u>12,232,361</u>	<u>55,563,970</u>
Excess (deficiency) of revenues over expenditures	<u>(2,394,356)</u>	<u>(663,593)</u>	<u>(3,057,949)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Recoveries	16,977	-	16,977
Transfers in	1,535,800	945,198	2,480,998
Transfers out	(776,990)	(203,277)	(980,267)
Total other financing sources (uses)	<u>775,787</u>	<u>741,921</u>	<u>1,517,708</u>
Net change in fund balances	(1,618,569)	78,328	(1,540,241)
Fund balances - beginning	19,050,692	17,065,385	36,116,077
Fund balances - ending	<u>\$ 17,432,123</u>	<u>\$ 17,143,713</u>	<u>\$ 34,575,836</u>

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

CITY OF EDMONDS, WASHINGTON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance \$ (1,540,241)

Amount reported as change in net position in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is exceeded by depreciation and amortization in the current period.

Capital outlays	\$	6,362,362	
Current year depreciation		(2,905,604)	
Adjustment in investment in joint venture		59,800	
			3,516,558

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred inflows of resources - property taxes		(30,059)	
PFD Debt Service		(426,233)	
PFD Nonexchange Financial Guarantee		184,768	
Other unearned revenue		(17,704)	
LEOFF 2 Pensions		221,305	
Court receivable		(20,256)	
			(88,179)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

Amortization of Bond Refunding		23,220	
Long-term debt repayments		908,223	
			931,443

Internal service funds are used by management to charge the costs of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. (848,645)

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

Accrued Interest Expense		2,175	
Loss on Sale of Assets		58,135	
Interest Expense for the PFD		60,592	
Total pension obligation		994,934	
Accrued compensating absence expense		(336,638)	
			779,197

Change in net position on the Statement of Activities \$ 2,750,133

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

City of Edmonds  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$31,180,588	\$31,180,588	\$ 30,738,452	\$ (442,136)
Licenses and permits	2,260,730	2,260,730	2,276,861	16,131
Intergovernmental	947,060	1,196,697	1,633,633	436,936
Charges for services	6,418,500	6,418,500	5,412,044	(1,006,456)
Fines and forfeitures	542,940	542,940	287,693	(255,247)
Investment earnings	560,740	560,740	265,629	(295,111)
Miscellaneous	414,450	416,112	322,941	(93,171)
Total revenues	<u>42,325,008</u>	<u>42,576,307</u>	<u>40,937,253</u>	<u>(1,639,054)</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,531,117	13,258,328	12,879,778	378,550
Public safety	24,878,421	25,130,563	23,759,212	1,371,351
Transportation	5,000	5,000	5,012	(12)
Economic environment	1,946,846	1,954,673	1,675,334	279,339
Mental and physical health	159,985	241,002	147,957	93,045
Culture and recreation	4,606,451	4,739,555	3,732,644	1,006,911
Total current	<u>44,127,820</u>	<u>45,329,121</u>	<u>42,199,937</u>	<u>3,129,184</u>
Debt service:				
Principal	168,850	168,850	163,840	5,010
Interest	137,750	137,750	132,784	4,966
Total debt service	<u>306,600</u>	<u>306,600</u>	<u>296,624</u>	<u>9,976</u>
Capital outlay:				
General government	1,025,000	1,025,000	825,995	199,005
Public safety	23,120	23,120	-	23,120
Culture and recreation	-	9,053	9,053	-
Total capital outlay	<u>1,048,120</u>	<u>1,057,173</u>	<u>835,048</u>	<u>222,125</u>
Total expenditures	<u>45,482,540</u>	<u>46,692,894</u>	<u>43,331,609</u>	<u>3,361,285</u>
Excess (deficiency) of revenues over expenditures	<u>(3,157,532)</u>	<u>(4,116,587)</u>	<u>(2,394,356)</u>	<u>1,722,231</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recoveries	-	-	16,977	16,977
Transfers in	1,978,200	1,978,200	1,535,800	(442,400)
Transfers out	(3,256,870)	(3,266,993)	(776,990)	2,490,003
Total other financing source (uses)	<u>(1,278,670)</u>	<u>(1,288,793)</u>	<u>775,787</u>	<u>2,064,580</u>
Net change in fund balances	(4,436,202)	(5,405,380)	(1,618,569)	3,786,811
Fund balances - beginning	16,941,743	19,050,691	19,050,692	1
Fund balances - ending	<u>\$12,505,541</u>	<u>\$13,645,311</u>	<u>\$ 17,432,123</u>	<u>\$ 3,786,812</u>

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

City of Edmonds  
Statement of Net Position  
Proprietary Funds  
December 31, 2020

	Governmental Activities	
	421/422/423 Combined Utility Funds	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,133,991	\$ 3,363,313
Investments	8,321,570	2,171,444
Customer accounts	3,946,665	997
Interest on investments	151,255	39,458
Due from other governments	3,245,586	3,058
Inventory	148,899	53,158
Total current assets	<u>27,947,966</u>	<u>5,631,428</u>
Noncurrent assets:		
Restricted cash and investment	12,196,199	-
Land	1,257,107	-
Property, plant and equipment (net)	94,390,901	4,671,836
Construction in progress	18,295,083	74,866
Intangible assets (net)	28,912	-
Total noncurrent assets	<u>126,168,202</u>	<u>4,746,702</u>
Total assets	<u>154,116,168</u>	<u>10,378,130</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources -refunding	63,655	-
Deferred outflows of resources - pension	373,002	66,465
Total deferred outflows of resources	<u>436,657</u>	<u>66,465</u>
Total assets and deferred outflows of resources	<u>154,552,825</u>	<u>10,444,595</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	3,117,700	74,892
Wages and benefits payable	223,511	39,937
Interfund payables	231,144	-
Due to other governmental units	307,896	-
Other current liabilities	588,845	-
Interest payable	155,892	-
Compensated absences - current	343,218	-
Loans payable - current	253,302	-
Revenue bonds payable-current	1,475,475	-
G.O. bonds payable - current	263,219	-
Total current liabilities	<u>6,960,202</u>	<u>114,829</u>
Noncurrent liabilities:		
Compensated absences - long-term	68,932	131,856
Pension liabilities	936,895	189,624
Loans payable - long-term	1,322,981	-
Revenue bonds payable - long-term	51,127,718	-
G.O. bonds payable - long-term	1,215,665	-
Total noncurrent liabilities	<u>54,672,191</u>	<u>321,480</u>
Total liabilities	<u>61,632,393</u>	<u>436,309</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - refunding	18,244	-
Deferred inflow of resources - pension	369,459	53,868
Total deferred inflows of resources	<u>387,703</u>	<u>53,868</u>
Total liabilities and deferred inflows of resources	<u>62,020,096</u>	<u>490,177</u>
<b>NET POSITION</b>		
Net investment in capital assets	68,391,695	4,671,836
Restricted for:		
Customer Deposits	6,148	-
Debt Service	3,290,576	-
Unrestricted	20,844,310	5,282,582
Total net position	<u>\$ 92,532,729</u>	<u>\$ 9,954,418</u>

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



City of Edmonds  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$ 27,072,814	\$ 2,694,759
Other operating revenue	210,853	14
Total operating revenues	<u>27,283,667</u>	<u>2,694,773</u>
<b>OPERATING EXPENSES</b>		
Personnel services	4,595,477	726,177
Operations and maintenance	10,979,846	915,644
Professional services	956,140	75,442
Insurance	344,984	43,001
Depreciation	4,029,768	642,948
Total operating expenses	<u>20,906,215</u>	<u>2,403,212</u>
Operating income (loss)	<u>6,377,452</u>	<u>291,561</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental	25,297	72,546
Investment earnings	165,842	163,509
Judgments and settlements	-	61,566
Gain (loss) on sale of capital assets	(821,659)	64,798
Interest expense	(1,739,008)	-
Total nonoperating revenues (expenses)	<u>(2,369,528)</u>	<u>362,419</u>
Income (loss) before contributions and transfers	4,007,924	653,980
Operations and maintenance	(3,175)	(2,625)
Professional Services	(55,262)	-
Capital grants and contributions	5,511,256	-
Transfers Out	(731)	(1,500,000)
Change in net position	9,460,012	(848,645)
Total net position - beginning	<u>83,072,717</u>	<u>10,803,063</u>
Total net position - ending	<u>\$ 92,532,729</u>	<u>\$ 9,954,418</u>

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

City of Edmonds  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities <u>421/422/423</u> Combined Utility Funds	Governmental Activities <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 24,057,207	\$ 2,691,188
Payments to employees	(4,867,377)	(769,180)
Payments to suppliers	(9,490,710)	(981,729)
Net cash provided (used) by operating activities	<u>9,699,120</u>	<u>940,279</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grant income	25,297	-
Proceeds of refunding debt	13,875,000	-
Net cash provided (used) by noncapital financing activities	<u>13,900,297</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Gain from the sale of capital assets	-	122,464
Judgments and settlements	-	61,566
Acquisition and construction of capital assets	(20,680,034)	(682,060)
Professional Services	(55,262)	-
Capital grants and contributions	5,511,256	72,546
Operations and maintenance	(3,175)	(2,625)
Principal payments on debt	(1,822,173)	-
Interest payments on debt	(1,708,074)	-
Transfers to other funds	(731)	(1,500,000)
Net cash provided (used) by capital and related financing activities	<u>(18,758,193)</u>	<u>(1,928,109)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	151,140	159,485
Purchase of investments	4,756,025	938,709
Net cash provided (used) by investing activities	<u>4,907,165</u>	<u>1,098,194</u>
Net increase (decrease) in cash and cash equivalents	9,748,389	110,365
Balances - beginning of year	14,581,801	3,252,948
Balances - end of the year	<u>\$ 24,330,190</u>	<u>\$ 3,363,313</u>

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

City of Edmonds  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating Income	\$ 6,377,452	\$ 291,561
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	4,029,768	642,948
Changes in assets and liabilities:		
Customer Receivables	(3,226,460)	(3,585)
Accounts Payable - Supplier	2,790,260	52,358
Payroll Liabilities	(271,900)	(43,003)
Net cash provided (used) by operating activities	\$ 9,699,120	\$ 940,279

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

City of Edmonds  
Statement of Fiduciary Net Position  
December 31, 2020

	Firemen's Pension Fund	Swat Custodial Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$141,787	\$31,565
Total assets	141,787	31,565
<b>LIABILITIES</b>		
Accrued expenses	6,672	-
Total liabilities	6,672	-
<b>NET POSITION</b>		
Net position restricted for pensions	135,115	-
Net position restricted for custodial funds	-	31,565
Total net position	\$ 135,115	\$ 31,565

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

City of Edmonds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2020

	<u>Firemen's Pension Fund</u>	<u>Swat Custodial Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 15,000	\$ -
State shared revenue-distribution of fire insurance premiums	<u>51,491</u>	<u>-</u>
Total contributions	66,491	-
Intergovernmental	-	355,644
Investment earnings	3,897	-
Miscellaneous	<u>-</u>	<u>1,056</u>
Total additions	<u>70,388</u>	<u>356,700</u>
<b>DEDUCTIONS</b>		
Benefits paid to retirees	80,998	-
Administrative expenses	1,007	-
Swat Supplies	<u>-</u>	<u>358,322</u>
Total deductions	<u>82,005</u>	<u>358,322</u>
Change in net position	(11,617)	(1,622)
Net Position -- beginning of the year	<u>146,732</u>	<u>33,187</u>
Net Position -- end of the year	<u>\$ 135,115</u>	<u>\$ 31,565</u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City of Edmonds was incorporated in 1890 and operates under the laws of the state of Washington applicable to cities. Edmonds operates with a Council/Mayor form of government. Both the Mayor and Council are elected to four-year terms. The City provides a full range of general government services including public safety; streets; parks and recreation; planning and zoning; permits and inspection; general administration; and water, sewer, storm water and wastewater treatment utilities.

As required by Generally Accepted Accounting Principles the financial statements present the City of Edmonds, the primary government, and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

**Discretely Presented Component Unit**

On April 24, 2001 the Edmonds City Council formed the Edmonds Public Facilities District (PFD) via Ordinance 3358, under the authority provided by RCW 35.57. The purpose of the PFD is to construct and operate a regional arts center in the City of Edmonds, defined by RCW 35.57 as a conference, convention or special events center, along with related parking. A five-member board governs the PFD and is appointed to four-year terms by the Edmonds City Council. The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts.

In 2002 the City issued Limited Tax General Obligation Bonds in the amount of \$7,015,000 for the acquisition, renovation and remodeling of a Performing Arts Center. The City transferred the proceeds of this issuance to the PFD. The City refinanced these bonds in 2012. These bonds are a debt of the City and not the PFD; however, the PFD is obligated by inter-local agreement to pay the entire amount of the PFD's portion of the debt service over the life of the bonds.

For more information on the Edmonds Public Facility District see Note 12, Long-Term Debt. Separate financial statements can be obtained from the Edmonds Center for the Arts, c/o Joe McIalwain, 410 Fourth Avenue N., Edmonds, WA 98020.

**Joint Ventures**

The City of Edmonds participates in two separate joint ventures:

**Snohomish County 911**

The City of Edmonds and other Police and Fire entities jointly operate Snohomish County 911. Snohomish County 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of Snohomish County 911 is with a 16 member Board of Directors which is specified in the Interlocal Agreement. Snohomish County 911 takes 911 calls and performs emergency dispatch services for local governmental agencies 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 shall be returned to the parties to this agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five years bears to the total of all then remaining Principals' User Fees paid during the five year period. Before deducting the payment of all costs, expenses, and charges validly incurred, the City of Edmonds share was \$1,766,977 on December 31, 2020.

Snohomish County 911's 2020 operating budget was \$24,575,191, operating revenues received were \$24,285,981, and total operating expenditures were \$23,917,807. Complete financial statements for Snohomish County 911 can be obtained from their administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

The Alliance for Housing Affordability (AHA)

In September 2013, the City of Edmonds joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May, 2014 to add the City of Arlington and in June, 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by member cities.

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

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

<u>Fiscal Year Ending 6/30</u>	<u>AHA's Total Fiscal Year Budget</u>	<u>Edmonds Share of Budget</u>	<u>Edmonds Share as % of Total AHA Budget</u>
2015	\$ 93,063	\$ 2,457	2.6%
2016	\$ 43,652	\$ 2,381	5.5%
2017	\$ 97,934	\$ 3,518	3.6%
2018	\$ 102,586	\$ 3,841	3.7%
2019	\$ 107,391	\$ 4,120	3.8%
2020	\$ 112,408	\$ 4,344	3.9%
2021	\$ 117,673	\$ 4,368	3.7%

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 4<sup>th</sup> Ave W, Everett WA 982014 (or email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4<sup>th</sup> Ave W, Everett WA 98204.

## **B. Basis of Presentation – 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 nonfiduciary activities of the primary government and its component unit. 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 a legally separate component unit for which the primary government is financially accountable.

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

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, 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.

The City reports one major governmental fund, the *General Fund*. The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The City also reports one major enterprise fund. The *Combined Utility Fund* accounts for all maintenance, construction, and debt service requirements associated with the City's water, sewer, and stormwater systems.

The City has two Internal Service Funds. The *Equipment Rental Fund* accounts for the cost of maintaining the City's vehicle fleet. The *Technology Rental Fund* accounts for the cost of Information Technology equipment repair and replacement.

The City has two Fiduciary Funds. The *Firemen's Pension Fund* is used to account for payment of administrative costs and benefits for retired firefighters who were employed prior to March 1, 1970. The *North Sound Metro Special Weapons and Tactics Team (SWAT)* is a Custodial Fund that accounts for the administration and bookkeeping for a regional SWAT team. The City signed an interlocal agreement with surrounding cities in 2013 to form a SWAT team, and the City of Edmonds Police Department was designated as the host Police Department and is responsible for the holding of funds.

## **C. Measurement Focus, Basis of Accounting**

### Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary and fiduciary fund 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 revenue



in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes, sales taxes, natural gas taxes and Hotel/Motel excise taxes as available if they are collected within 60 days after year end. 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. All other revenue items are considered to be measurable and available only when cash is received.

#### Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's Combined Utility Funds are charges to customers for sales and service. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include operating and maintenance costs, employee salaries and benefits, contracted services, insurance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **D. Budgetary Information**

#### Scope of Budget

Annual appropriated budgets are adopted for general fund and special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Budgets for the General Fund and Special Revenue Funds are adopted at the Fund level. Purely as a management tool, budgets are broken out by department, activity and expense types.

Appropriations for the General and Special Revenue funds lapse at year-end, except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

#### Amending the Budget

The Mayor is authorized to transfer budgeted amounts between departments or between object classes within any department; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund or department, it may do so by ordinance approved by one more than the majority after holding a public hearing.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by supplemental appropriations and other legally authorized changes applicable for the fiscal year.

## **E. Assets, Liabilities, Fund Balance, Net Position**

### Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. The City considers all highly liquid assets, including investments in the Washington State Local Government Investment Pool, the Snohomish County Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds. For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For more information on investments, see Note 3, *Deposits and Investments*.

### Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Note 4, *Property Taxes*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Receivables are shown net of allowances for uncollectible accounts.

### Amounts Due To/From Other Funds and Governments, Interfund Loans and Advances Receivable

Activities 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*. A separate schedule of interfund loans receivable and payable is furnished in Note 7, *Interfund Activity*.

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

### Inventories

Inventories are assets that are held for internal consumption or resale. The combined utility fund inventories are expensed as consumed, using the first-in, first-out valuation method, which approximates market. Internal service fund inventories are expensed when purchased. A physical inventory is taken at year-end. No inventory is maintained in Governmental Funds; however, the Internal Service fund inventories are included in the "Governmental Activities" on the Statement of Net Position.

### Restricted Assets

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 13, *Long-Term Debt* and certain cash and investments have been classified as restricted assets on the Statement of Net Position in accordance with utility bond resolutions, state law, or for other purposes. When both restricted and

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

**Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost that meets or exceeds \$5,000, and an estimated useful life in excess of one year. Infrastructure assets are capitalized when their cost meets or exceeds \$50,000, and repairs or replacements to components of the Wastewater Treatment Plant are capitalized when their cost meets or exceeds \$100,000.

Costs for additions or improvements to capital assets are capitalized when they increase an asset's value, capacity, or materially extends its useful life. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land, permanent artwork, and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight-line method using varying estimated service lives for individual assets and asset classifications, depending on particular characteristics of an asset and factors surrounding its anticipated use. See Note 9 for additional information regarding capital assets.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

<b><u>Asset Type</u></b>	<b><u>Est. Service Life (Years)</u></b>
Buildings	30–50
Improvements other than Buildings	20–40
Furniture and fixtures	5-10
Cars	5-10
Vans, Trucks, Trailers	5-20
Data Processing Equipment	3-10
Infrastructure	20–100
Sidewalks	30
Machinery and Equipment	5–20
Intangible Assets	20–30

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City has two items that qualify for reporting in this category: 1) deferred gains on refunding and 2) pensions. Deferred gains on refunding reported in the statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions and affects both assets and liabilities. The City's fiscal year ends on December 31, while the State's fiscal year ends on June 30. This causes the recognition periods for pension contributions to not match, resulting in the recognition of Deferred Outflows and Deferred Inflows to account for the City's pension contributions.

In addition to liabilities, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period. The City has four items that qualify for reporting in this category: 1) unavailable property taxes recorded as receivables, 2) unavailable court fees recorded

as a receivable, 3) deferred losses on refunding, and 4) pensions and other post-employment obligations, as explained above.

#### Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave, and holiday earned by police employees, according to the terms of union contracts or per RCW. Also included is compensatory time earned in lieu of overtime. All such compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements, and are payable upon termination, retirement or death.

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

#### Pensions

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

#### Other Accrued Liabilities

Employees earn vacation pay based on their years of service, and may carry over accruals of up to two years' accumulated leave from one year to the next. Unused vacation leave at time of termination, retirement or death is considered vested and payable to the employee. Unused sick leave is paid out upon termination, retirement or death based on a percentage of the employee's accumulated sick leave, in accordance with the terms of their union contract, or in accordance with Edmonds City Code Chapter 2.35.

#### Unearned Revenues

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

#### Fund Balance Classification

The difference between fund Assets and Deferred Outflows of Resources, minus its Liabilities and Deferred Inflows of Resources, is referred to as Net Position on the government-wide, proprietary, and fiduciary fund statements, and as Fund Balance on the governmental fund statements. The fund balance amounts for governmental funds are classified in accordance with GASB Statement No. 54, and are reported as non-spendable, restricted, committed, assigned, or unassigned.

- *Non-spendable* fund balance represents amounts that are either not in a spendable form (e.g. inventories or prepaid balances) or are legally or contractually required to remain intact.
- *Restricted* fund balances include amounts that have constraints placed upon their use by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balances include amounts that are limited by resolution of the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.
- *Assigned* fund balances include amounts that are intended by the Mayor or department Directors for an intended use, but are neither restricted nor committed. This type of

limitation can be imposed by the highest levels of decision making within the City, but little or no formal action is required to modify or eliminate those limitations.

- *Unassigned* fund balance is the residual amount of the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted fund balances are available for use, the City considers restricted fund balance to have been spent first. When committed, assigned, or unassigned fund balance amounts are available for use, the City considers committed fund balance to be spent first, assigned fund balance second, and unassigned fund balance last.

## **F. Revenues, Expenditures and Expenses**

The *modified accrual basis* of accounting is followed in all governmental funds of the City. Under the modified accrual basis of accounting:

Charges for services, interest on investments, and rents generally are considered measurable and available when earned in governmental funds. Taxes and federal or state entitlements or shared revenues that have been collected but not remitted by an intermediary collection agency to the City are considered measurable and available. Grants are considered measurable and available to the extent that expenditures have been incurred. Other intergovernmental revenues are considered measurable and available when earned. Interfund revenues for goods and services are considered measurable and available when earned. Proceeds from the disposal of capital assets are recognized as other financing sources. Revenues from taxpayer-assessed taxes (e.g. sales tax), net of estimated refunds, are recognized when measurable and available to finance expenditures of the current period. All other revenues are either not measurable or considered not available until collected. Expenditures are generally recognized when incurred, except for principal and interest on general long-term debt, which are reported as expenditures when paid, and compensated absences, which are reported as expenditures when liquidated from expendable available financial resources.

The *accrual basis of accounting* is followed in all proprietary and fiduciary funds. Under the accrual basis of accounting:

Revenues are recognized when earned and expenses are recognized when incurred. Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Transfers between government and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated, as are transfers between funds reported in the business-type activities column.

## **G. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

Reporting Changes – Effective for fiscal year 2020 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities – improves financial reporting by establishing 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 fund, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. The City reports two fiduciary funds. (See Fiduciary Fund Statements) Any applicable provisions of this Statement have been adopted and incorporated into these financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – improves financial reporting by providing users of financial statements with essential information, including unused lines of credit, assets pledged as collateral for 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. Any applicable provisions of this Statement have been adopted and incorporated into these financial statements.

GASB Statement No. 90, Majority Equity Interests – improves financial reporting by improving the consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and to improving the relevance of financial statement information for certain component units. Any applicable provisions of this Statement have been adopted and incorporated into these financial statements.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance – provides temporary relief to governments in light of the COVID-19 pandemic. This Statement postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018, and later. The City recognized this Statement for fiscal year 2020 reporting. This Statement has no impact on the financial statements or notes in this report, it only affects the required implementation date of other GASB Statements.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

Investments are presented in the financial statements at fair value based on quoted market prices. The City's position in the State and County Local Government Investment Pools is the same as the value of the pool shares. Pool investments are reported as Cash and Cash Equivalents. Interest earned on the pooled investments is allocated to individual funds based on that fund's cash balance at the end of each month. The City holds most investments to maturity. Interest earnings are recognized in the period in which they become available and measurable. Cash and equity in pooled investments are comprised of both government-type and business-type activities. The balances are comprised of the following:

	December 31, 2020
Deposits with US Bank	\$ 5,453,258
Petty Cash/Change Funds	4,500
Local Government Investment Pool	21,444,678
Snohomish County Investment Pool	20,132,419
Certificates of Deposit	7,803,516
Federal Agency Securities	16,216,230
	<u>\$ 71,054,601</u>

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy manages the exposure to declines in fair values by limiting the average of maturity of its portfolio to no more than three and one half years, unless an investment is matched to an anticipated future cash flow.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Remaining Maturity in Months						Credit Rating
	Fair Value	Twelve Months or Less	Twelve Months to Two Years	Two Years to Three Years	Three Years to Seven Years		
Federal Agency Securities	\$ 16,216,230	\$ 4,682,513	\$ 6,787,925	\$ 4,480,610	\$ 265,183		Aaa/AA+
Certificates of Deposit	7,803,516	3,000,000	-	2,803,516	2,000,000		Not Rated
Local Government Investment Pool	21,444,678	21,444,678	-	-	-		Not Rated
Snohomish County Investment Pool	20,132,419	20,132,419	-	-	-		Not Rated
	<u>\$ 65,596,843</u>	<u>\$ 49,259,610</u>	<u>\$ 6,787,925</u>	<u>\$ 7,284,126</u>	<u>\$ 2,265,183</u>		

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits the instruments in which the City may invest. The City is empowered to invest in the following types of securities:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- U.S. Treasury securities maturing in less than ten years;
- Fully insured or collateralized certificates of deposit, and other evidences of deposit, at qualified financial institutions that are approved by the Washington Public Deposit Protection Commission;
- Banker's Acceptances, and commercial paper rated in the highest tier by a nationally recognized rating agency;
- Investment grade obligations of state and local governments and public authorities located within the State of Washington; and
- Local government investment pools, either state administered or through joint powers statutes and other intergovernmental agreement legislation.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from the active pool participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk and is recorded as a cash equivalent. The pool is unrated by financial rating agencies. Investments are reported at their amortized cost basis to pool participants, which approximates fair value. The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting.

The Snohomish County Investment Pool (SCIP) is not registered with the SEC. Investments are reported at fair value to the participants. It includes participating funds from the County's primary government and funds from the districts where the County Treasurer serves as *ex-officio* Treasurer. There are no involuntary participants in the SCIP. All participants have notified the Treasurer of their desire to participate in the SCIP. The portion of the pool belonging to outside districts is reported in an Investment Trust Fund. SCIP investments are those allowed by County Investment Policy and include savings accounts, CD's and securities.

Pool participant shares are based on the dollars that they have invested in SCIP. The income is distributed based on interest rates on investments, amortization of premiums and discounts, and realized gains and losses for the month.

Pool oversight comes from the Snohomish County Finance Committee (SCFC). The SCFC consists of the County Treasurer, County Executive and Chairperson of the County Council. SCFC approves investment policies for SCIP.

Fair value of securities is based on the market value reports provided by the County's custodial agent. The market values are uploaded into the County investment software monthly from the custodial agent. The fair value of each participant's investment is determined by calculating the ratio of total investments by pool participants divided into the total fair value of the SCIP underlying assets. Each pool participant can determine their fair value by taking their investment in SCIP multiplied by this ratio.

*Custodial Credit Risk - Deposits.* Custodial Credit Risk for Deposits is the risk that in the event of a bank failure, the City may not be able to recover deposits or collateral securities that are in the possession of an outside party. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. The WPDPC may make pro-rata assessments to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

*Custodial Credit Risk – Investments.* Custodial Credit Risk for Investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by U.S. Bank, as the City's agent, in the City's name.

*Concentration of Credit Risk.* Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy requires that no more than 50 percent of the City's portfolio, at the time of purchase, shall be in any single financial institution, with the exception of investments in the LGIP, the SCIP, or U.S. Treasury or Agency securities.

The City measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. The guidance requires three levels of fair value measurement based on the respective inputs.



Level 1: Prices quoted in active markets for identical securities.

Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3: Unobservable inputs for an asset or liability.

U.S. Agency securities and municipal bonds classified in Level 2 are valued using quoted prices for similar securities and interest rates. 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.

The following table presents recurring fair value measurements as of December 31, 2020:

Fair Value Measurement Using				
Investment Type	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Federal Agency Securities	\$ -	\$ 16,216,230	\$ -	\$ 16,216,230
Snohomish Co. Investment Pool	-	20,132,419	-	20,132,419
WA State LGIP	-	21,444,678	-	21,444,678
Certificate of Deposit	-	7,803,516	-	7,803,516
<b>Total</b>	<b>\$ -</b>	<b>\$ 65,596,843</b>	<b>\$ -</b>	<b>\$ 65,596,843</b>

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio at December 31, 2020:

Maturities				
Investment Type	Fair Value	Less Than 1 Year	1 to 7 Years	% of Total Portfolio
Federal Agency Securities	\$ 16,216,230	\$ 4,682,513	\$ 11,533,717	24.72%
Snohomish County Pool	20,132,419	20,132,419	-	30.69%
Certificates of Deposit	7,803,516	3,000,000	4,803,516	11.90%
<b>Subtotal</b>	<b>44,152,165</b>	<b>27,814,932</b>	<b>16,337,233</b>	<b>67.31%</b>
WA State LGIP *	21,444,678	21,444,678	-	32.69%
<b>Total</b>	<b>\$ 65,596,843</b>	<b>\$ 49,259,610</b>	<b>\$ 16,337,233</b>	<b>100.00%</b>
<b>Percentage of Total Portfolio</b>		<b>75.09%</b>	<b>24.91%</b>	<b>100.00%</b>

*Discretely Presented Component Unit:* Cash and equity in pooled investments of the Edmonds Public Facilities District are comprised of governmental type activities only. The balances as of December 31, 2020 are as follows:

Component Unit	December 31, 2020
Cash and Cash Equivalents	\$ 101,256
Restricted Cash and Cash Equivalents	138,071
	<b>\$ 239,327</b>

The following tables present information regarding the components of Cash and Cash Equivalents as of December 31, 2020:

Financial Statements

	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 19,046,314	\$ 12,133,991	\$ 31,180,305	\$ 173,352	\$ 31,353,657
Restricted Cash and Cash Equivalents	8,288,515	12,196,199	20,484,714	-	20,484,714
Investments	10,894,660	8,321,570	19,216,230	-	19,216,230
	<b>\$ 38,229,489</b>	<b>\$ 32,651,760</b>	<b>\$ 70,881,249</b>	<b>\$ 173,352</b>	<b>\$ 71,054,601</b>

Restricted Cash and Cash Equivalents

	Governmental Activities	Business-type Activities	Total
Deposit to Bond Reserve Account	\$ -	\$ 3,290,576	\$ 3,290,576
First Financial CD -Waterfront Center	2,000,000	-	2,000,000
First Financial CD - PFD Collateral	2,803,516	-	2,803,516
Unspent Construction Debt Proceeds	3,484,999	8,905,623	12,390,622
	<b>\$ 8,288,515</b>	<b>\$ 12,196,199</b>	<b>\$ 20,484,714</b>

**NOTE 4 – PROPERTY TAXES**

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue in the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The City may levy up to \$3.10 per \$1,000 of assessed valuation for general governmental services. This rate is limited by the Washington State Constitution and RCW 84.55.010.

The City's regular levy for 2020 was \$0.95632303622 per \$1,000 on an assessed valuation of \$11,011,221,440 for a total regular levy of \$10,530,285. City of Edmonds voters have approved one special levy, for Emergency Medical Services (EMS). The City's EMS Levy for 2020 was \$0.37349634392 per \$1,000 on an assessed valuation of \$11,011,221,440 for a total EMS levy of \$4,112,651.

Property Tax Calendar

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

**NOTE 5 – RECEIVABLES AND PAYABLES**

Receivables at December 31, 2020 are as follows:

	Customer Accounts	Taxes	Due From Other Governments	Due from Component Units	Total
<b>Governmental Activities</b>					
General Fund	\$ 633,328	\$ 383,437	\$ 2,517,462	\$ 3,800,552	\$ 7,334,778
Other Governmental Funds	-	-	1,675,187	-	1,675,187
Internal Service	997	-	3,058	-	4,055
<b>Total Governmental Activities</b>	<b>\$ 634,325</b>	<b>\$ 383,437</b>	<b>\$ 4,195,706</b>	<b>\$ 3,800,552</b>	<b>\$ 9,014,020</b>

**Business-type Activities**

Combined Utility Fund	\$ 3,946,665	\$ -	\$ 3,245,586	\$ -	\$ 7,192,251
<b>Total Business-type Activities</b>	<b>\$ 3,946,665</b>	<b>\$ -</b>	<b>\$ 3,245,586</b>	<b>\$ -</b>	<b>\$ 7,192,251</b>

Payables at December 31, 2020 are as follows:

	Salaries and Benefits	Accounts Payable	Due to Other Governments	Other Current Liabilities	Total
<b>Governmental Activities</b>					
General Fund	\$ 1,156,165	\$ 1,197,681	\$ -	\$ 139,475	\$ 2,493,321
Other Governmental Funds	58,617	1,062,071	-	66,682	1,187,370
Internal Service	39,937	74,892	-	-	114,829
<b>Total Governmental Activities</b>	<b>\$ 1,254,719</b>	<b>\$ 2,334,643</b>	<b>\$ -</b>	<b>\$ 206,158</b>	<b>\$ 3,795,520</b>
<b>Business-type Activities</b>					
Combined Utility Fund	\$ 223,511	\$ 3,117,700	\$ 307,896	\$ 588,845	\$ 4,237,952
<b>Total Business-type Activities</b>	<b>\$ 223,511</b>	<b>\$ 3,117,700</b>	<b>\$ 307,896</b>	<b>\$ 588,845</b>	<b>\$ 4,237,952</b>

**NOTE 6 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources at December 31, 2020, are as follows:

Deferred Outflows of Resources - Government-wide Statement of Net Position	Governmental Activities	Business-Type Activities
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is greater.	\$ 7,410	\$ 63,655
GASB 68 Pension Deferred Outflow	2,681,680	373,002
<b>Total</b>	<b>\$ 2,689,090</b>	<b>\$ 436,657</b>

Deferred Inflows of Resources at December 31, 2020 are as follows:

Deferred Inflows of Resources - Government-wide Statement of Net Position	Governmental Activities	Business-Type Activities
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is less.	\$ 103,485	\$ 18,244
GASB 68 Pension Deferred Inflow	2,433,890	369,459
<b>Total</b>	<b>\$ 2,537,375</b>	<b>\$ 387,703</b>

Deferred Inflows of Resources - Governmental Funds Balance Sheet	General Fund	Enterprise Funds
The portion of property taxes not received within 60 days of 2020	\$ 197,668	\$ -
The portion of court receivables not received within 60 days of 2020	333,948	
<b>Total</b>	<b>\$ 531,616</b>	<b>\$ -</b>

**NOTE 7 – INTERFUND ACTIVITY**

There were two interfund balances as of December 31, 2020. The first was for a utility tax payable to the General Fund in the amount of \$231,144. The second was for an interfund loan between the Contingency Reserve Fund and the Edmonds CARES Fund in the amount of \$217,000. The Edmonds CARES Fund made grant eligible payments and is waiting for grant reimbursement from Snohomish County.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Routine transfers include contributions to the pension funds, transfers for debt service requirements, transfers from unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, transfers for the 1% percent for the arts program, and transfers when the City closes out activity in a fund. Significant transfers in 2020 include a \$1.5 million transfer from the Equipment Rental Fund to the General Fund.

Interfund activity for the year is as follows:

	Transfers In	Transfers Out			Total
		General	Governmental	Enterprise	
General Fund	\$ 1,535,800	\$ -	\$ 776,991	\$ -	\$ 776,991
Other Governmental	945,199	35,800	167,477	-	203,277
Enterprise	-	-	731	-	731
Internal Service	-	1,500,000	-	-	1,500,000
<b>Total</b>	<b>\$ 2,480,999</b>	<b>\$ 1,535,800</b>	<b>\$ 945,199</b>	<b>\$ -</b>	<b>\$ 2,480,999</b>

## NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED COMPONENTS

The government-wide statement of net position reports \$16,186,900 for Governmental Activities and \$3,296,724 for Business-Type Activities as restricted components of net position. The fund statements report \$3,076,353 as committed and \$2,000,000 as assigned components of fund balance.

<b>Governmental Activities Restricted for:</b>	
Per RCW, proceeds from seizures are limited to law enforcement activities exclusively	\$ 74,303
Restricted per RCW related to state fuel taxes, transportation benefit fees, impact fees and grant agreements	3,220,074
Restricted per RCW related to REET revenue and lodging tax restrictions, private donors, and grant agreements	8,129,745
Per RCW, proceeds are limited to paying the cost of tourism promotion and the Edmonds Business Improvement District	86,073
Per RCW, 60% of the proceeds are limited to the construction of affordable housing, construction of mental and behavioral health-related facilities and facilities where housing related programs are provided. The remaining proceeds must be used for the operation, delivery or evaluation of mental and behavioral health treatment programs and services or housing -related services	78,441
Restricted by grant agreements and private donations limited to a specific purpose	10,363
Restricted for Net Pension Assets	4,656,343
<b>Total Restricted Components of Net Position</b>	<b>\$ 16,255,342</b>
<b>Business-Type Activities Restricted for:</b>	
Customer deposits	\$ 6,148
Debt service restrictions	3,290,576
<b>Total Restricted Components of Net Position</b>	<b>\$ 3,296,724</b>
<b>Governmental Activities Committed for:</b>	
Committed for the cost of operating and restoring the Edmonds Marsh	\$ 864,616
Committed to provide moneys with which to alleviate the problem of homelessness in Edmonds and the surrounding area	123,581
Committed to provide moneys with which to alleviate the problem of opioid addiction in Edmonds and the surrounding area	28,445
Committed for the acquisition or advancement of visual and performing arts within the City	682,727
Committed for the administration of the employee permit parking program solely and exclusively	81,998
Committed for special projects, special events, capital improvements and other nonrecurring needs of cemetery	205,127
Committed to be expended solely for the purpose of maintaining the cemetery	1,089,860
<b>Total Committed Components of Fund Balance</b>	<b>\$ 3,076,353</b>
<b>Governmental Activities Assigned for:</b>	
Assigned for Civic Park	2,000,000
<b>Total Assigned Components of Fund Balance</b>	<b>\$ 2,000,000</b>

## NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2020 is as follows:

Schedule of Capital Asset Activity				
	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 17,688,372	\$ -	\$ -	\$ 17,688,372
Construction in progress	2,375,529	5,740,141	(279,189)	7,836,481
Total capital assets not being depreciated:	20,063,901	5,740,141	(279,189)	25,524,853
Capital assets, being depreciated:				
Building	24,427,468	490,286	-	24,917,754
Improvements other than buildings	24,630,915	-	(189,111)	24,441,804
Infrastructure	64,873,168	313,450	-	65,186,618
Machinery and equipment	10,443,849	765,394	(646,898)	10,562,344
Total capital assets being depreciated:	124,375,399	1,569,130	(836,009)	125,108,520
Less accumulated depreciation for:				
Buildings	(17,131,319)	(503,556)	-	(17,634,875)
Improvements other than buildings	(9,565,537)	(833,159)	189,110	(10,209,586)
Infrastructure	(37,059,986)	(1,486,381)	-	(38,546,367)
Machinery and equipment	(5,313,320)	(725,456)	589,232	(5,449,543)
Total accumulated depreciation:	(69,070,161)	(3,548,552)	778,342	(71,840,371)
Total capital assets being depreciated, net:	55,305,238	(1,979,422)	(57,667)	53,268,149
Governmental activities capital assets, net:	\$ 75,369,139	\$ 3,760,719	\$ (336,855)	\$ 78,793,002
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,257,107	\$ -	\$ -	\$ 1,257,107
Construction in progress	7,755,141	14,851,137	(4,311,195)	18,295,083
Total capital assets, not being depreciated:	9,012,248	14,851,137	(4,311,195)	19,552,190
Capital assets being depreciated:				
Building	35,489,768	-	(51,040)	35,438,728
Improvements other than buildings	106,302,842	10,115,555	(1,557,937)	114,860,460
Machinery and equipment	1,056,690	5,023	-	1,061,712
Intangible assets	1,296,697	-	-	1,296,697
Total capital assets being depreciated:	144,145,996	10,120,578	(1,608,977)	152,657,597
Less accumulated depreciation for:				
Buildings	(19,349,640)	(680,296)	51,039	(19,978,897)
Improvements other than buildings	(33,871,180)	(3,286,106)	736,278	(36,421,008)
Machinery and equipment	(508,598)	(61,498)	-	(570,096)
Intangible assets	(1,265,916)	(1,868)	-	(1,267,784)
Total accumulated depreciation:	(54,995,334)	(4,029,768)	787,317	(58,237,785)
Total capital assets being depreciated, net:	89,150,663	6,090,810	(821,660)	94,419,813
Business activities capital assets, net:	\$ 98,162,911	\$ 20,941,947	\$ (5,132,855)	\$ 113,972,003

The difference between the 2019 Ending Balance and the 2020 Beginning Balance for capital assets in the Governmental Activities is due to two misstatements identified during the 2019 audit that were not corrected during the 2019 audit. The city deleted roads that were still in use and expensed playground equipment that should have been capitalized. The difference for the Business-type Activities is due to two assets identified by the engineering department that were not originally added to the capital asset list. The items were listed on the small and attractive list but met the capital asset threshold.

**Depreciation Expense by Function**

Governmental Activities:

General government	\$ 468,951
Public safety	305,018
Culture and recreation	707,519
Transportation	1,419,541
Physical Environment	4,575
Internal service	642,948
Total depreciation expense - Governmental Activities	<u>\$ 3,548,552</u>

Business-Type Activities:

Stormwater	\$ 661,015
Water	1,124,800
Sewer	873,978
Wastewater Treatment	1,369,976
Total depreciation expense - Business Type Activities	<u>\$ 4,029,768</u>

**NOTE 10 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans as of and for the year ended December 31, 2020:

	State Sponsored Plans	Single Employer Plan	Total
Pension Liabilities	\$ (4,987,572)	\$ (507,497)	\$ (5,495,069)
Pension Assets	\$ 4,656,343	\$ -	\$ 4,656,343
Deferred Outflows of Resources	\$ 3,053,817	\$ 865	\$ 3,054,682
Deferred Inflows of Resources	\$ (2,803,349)	\$ -	\$ (2,803,349)
Pension Expense/Expenditures	\$ 370,468	\$ 13,534	\$ 384,002

**State Sponsored Pension Plans**

Substantially all of the 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 (DRS), 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 DRS, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Report may be obtained by writing to Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540, or it may be downloaded from the DRS website at [www.drs.wa.gov](http://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 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 2% 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, 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%. 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%. 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 2020 were as follows:

<b>PERS Plan 1 Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
2020		
January through August		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September through December		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

The City’s actual contributions to the plan were \$719,557 for the year ended December 31, 2020.

**PERS Plan 2/3** – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1% 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 age 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 3% 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 5% 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 3% 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. Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% 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 unfunded actuarially accrued liability (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 2020 were as follows:

<b>PERS Plan 2/3 Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>	<b>Employee 3</b>
2020			
January through August			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Total	12.86%	7.90%	Varies
September through December			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.87%		
Administrative Fee	0.18%		
Total	12.97%	7.90%	Varies

The City's actual contributions to the plan were \$1,128,159 for the year ended December 31, 2020.

**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 years 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 10 years of service. Members are eligible for retirement with 5 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 5 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 2020. Employers paid only the administrative expense of 0.18% of covered payroll.

**LEOFF Plan 2** – provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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 age 53, with at least 5 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 3% 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 3% 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 5 years of eligible service.

**Contributions** – The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18%. 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% in 2020. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>LEOFF Plan 2 Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
2020		
January through December		
LEOFF Plan 2	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The City's actual contributions to the plan were \$360,086 for the year ended December 31, 2020.

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, 2020 the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$221,306.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020, with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa)
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s 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% 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 at various future times.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Percent Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Total	100.00%	

**Sensitivity of the NPL**

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

2020	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 4,323,056	\$ 3,451,385	\$ 2,691,199
PERS 2/3	\$ 9,558,504	\$ 1,536,177	\$ (5,070,214)
LEOFF 1	\$ (852,457)	\$ (1,047,310)	\$ (1,215,891)
LEOFF 2	\$ (71,448)	\$ (3,609,032)	\$ (6,505,608)

**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)**

At December 31, 2020, the City reported a total pension liability of \$4,987,562 and a total pension asset of (\$4,656,342) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020):

2020	Liability (Asset)
PERS 1	\$ 3,451,385
PERS 2/3	\$ 1,536,177
Total	\$ 4,987,562
LEOFF 1	\$ (1,047,310)
LEOFF 2	\$ (3,609,032)
Total	\$ (4,656,342)

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	\$ (1,047,310)	\$ (3,609,032)
State's Proportionate Share of the Net Pension Asset Associated with the Employer	\$ (7,083,982)	\$ (2,307,703)
Total	\$ (8,131,292)	\$ (5,916,735)

The City's proportionate share of the collective net pension assets, deferred outflows, liabilities, and deferred inflows was as follows:

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.097960%	0.097758%	-0.000202%
PERS 2/3	0.119772%	0.120113%	0.000341%
LEOFF 1	0.053590%	0.055457%	0.001867%
LEOFF 2	0.192032%	0.176926%	-0.015106%

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 2020. 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% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% 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 2020, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2020, the City recognized pension expense as follows:

	<b>2020</b>
PERS 1	\$ 159,072
PERS 2/3	\$ 139,854
LEOFF 1	\$ (86,904)
LEOFF 2	\$ 158,449
<b>Total</b>	<b>\$ 370,471</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (19,216)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ 360,233	\$ -
<b>Total PERS 1</b>	<b>\$ 360,233</b>	<b>\$ (19,216)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 549,929	\$ (192,520)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (78,016)
Changes of Assumptions	\$ 21,879	\$ (1,049,342)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 465,371	\$ (560,922)
Contributions Subsequent to the Measurement Date	\$ 560,626	\$ -
<b>Total PERS 2/3</b>	<b>\$ 1,597,805</b>	<b>\$ (1,880,800)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (10,955)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ -	\$ -
<b>Total LEOFF 1</b>	<b>\$ -</b>	<b>\$ (10,955)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 499,369	\$ (64,009)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (40,226)
Changes of Assumptions	\$ 5,228	\$ (558,838)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 398,351	\$ (229,305)
Contributions Subsequent to the Measurement Date	\$ 192,831	\$ -
<b>Total LEOFF 2</b>	<b>\$ 1,095,779</b>	<b>\$ (892,378)</b>

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,049,298	\$ (256,529)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (148,413)
Changes of Assumptions	\$ 27,107	\$ (1,608,180)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 863,722	\$ (790,227)
Contributions Subsequent to the Measurement Date	\$ 1,113,690	\$ -
<b>Total All Plans</b>	<b>\$ 3,053,817</b>	<b>\$ (2,803,349)</b>



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 following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	<b>PERS 1</b>	<b>PERS 2/3</b>
2021	\$ (87,203)	\$ (656,079)
2022	\$ (2,743)	\$ (171,024)
2023	\$ 26,608	\$ 8,645
2024	\$ 44,122	\$ 72,347
2025	\$ -	\$ (34,808)
Thereafter	\$ -	\$ (62,693)
Total	\$ (19,216)	\$ (843,612)
	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2021	\$ (39,105)	\$ (250,783)
2022	\$ (2,039)	\$ (18,885)
2023	\$ 11,117	\$ 70,239
2024	\$ 19,072	\$ 137,576
2025	\$ -	\$ (7,434)
Thereafter	\$ -	\$ 79,858
Total	\$ (10,955)	\$ 10,571

## **Firemen's Pension Fund**

### **Plan Description**

The Law Enforcement Officers' and Firefighters' (LEOFF) pension system was established by the State of Washington on March 1, 1970. The City retained the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retained the responsibility for a portion of the benefits payable to members who were active on that date.

As a result, the City of Edmonds is the administrator of the Firemen's Pension Plan which is shown as a Trust Fund in the City's financial reports. Separate financial statements are not issued. This system is a closed, single-employer, defined benefit pension system. City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with RCW 41.18 and RCW 41.20.

### **Employees Covered by Benefit Terms**

During 2020 there were a total of 4 retirees covered under this system who are receiving pension benefits; of these 4 retirees, 3 are also receiving medical benefits from this fund. There were no active employees covered under this plan, and there were no inactive employees entitled to but not yet receiving benefits. The pension plan is closed to new entrants.

### **Funding Policy and Contributions**

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

The financial activity of the Firemen’s Pension Fund is presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. No separate stand-alone financial report is issued for the Firemen’s Pension Fund. Although the City administers the pension plan, it is partially funded by a percentage of the tax on fire insurance premiums. The state contributes 25% of taxes on fire insurance premiums to this plan and is considered a non-employer contributing entity. The amount of contributions received for the year ended December 31, 2020 was \$51,491.

Milliman, Inc., actuaries and consultants, provided the Firemen’s Pension Fund Actuarial Valuation for the year ended December 31, 2020. The Net Pension Liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of January 1, 2020. The Firemen’s Pension Fund did not hold any investments. The net pension liability has been recorded as a noncurrent liability on the City’s Government-wide Statement of Net Position. Significant actuarial assumptions used in the valuation include:

Actuarial Cost Method	Entry Age
Actuarial Asset Method	Market Value
Assumptions:	
Investment Return Assumption (Discount Rate)*	2.00%
Salary Increases	3.00%
Inflation related to Consumer Price Index	2.25%
Salary Increase Timing	July 1
LEOFF Increase Timing	April 1
Mortality – Service-retired members and spouses	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and set forward one year for females.
Mortality – Disabled members	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years.

\*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.

There were changes in methods and assumptions since the last actuarial valuation January 1, 2020).

- Decreased the investment rate of return from 2.75% to 2.00%.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 642,577	\$ 146,733	\$ 495,844
Changes for the Year:			
Service Cost	-	-	-
Interest	16,828	-	16,828
Changes in Benefits Provided	-	-	-
Changes in Actuarial Assumptions or Inputs	29,948	-	29,948
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	-	-
Net Investment Income	-	3,897	(3,897)
Contributions from state fire insurance premium tax	-	51,491	(51,491)
Benefit Payments and Withdrawals	(61,740)	(61,740)	-
Medical Payments from Fund	-	(19,258)	19,258
Administrative Expenses	-	(1,007)	1,007
Other	-	-	-
Balances at December 31, 2020	<u>\$ 627,613</u>	<u>\$ 120,116</u>	<u>\$ 507,497</u>

Net Plan Fiduciary Net Position

	2020	2019
Total Pension Liability	\$ 627,613	\$ 642,577
Pension Plans Fiduciary Net Position	120,116	146,733
Net Pension Liability	<u>\$ 507,497</u>	<u>\$ 495,844</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	19.14%	22.84%

Sensitivity of Net Pension Liability

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 2.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Rate 2%	1% Increase
Net Pension Liability	\$ 551,761	\$ 507,497	\$ 468,128

**Pension Expense**

For the year ended December 31, 2020 the City recognized pension expense related to the Firemen’s pension plan as follows:

Service Cost	\$	-
Interest Cost		16,828
Expected Investment Earnings		(3,618)
Administrative Expense		1,007
Medical Payments		19,258
Contributions from state fire insurance premium tax		(51,491)
Amortization of Deferred Inflows and Outflows		31,550
Changes in Benefits Provided		-
	<u>\$</u>	<u>13,534</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to the Firemen’s pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(865)	-
Changes of Assumptions	-	-
Total	<u>\$ (865)</u>	<u>\$ -</u>

Deferred Outflows of resources related to the Firemen’s Pension Plan and Deferred Inflows of Resources related to the Firemen’s Pension Plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>		
2021	\$	(738)
2022		(123)
2023		(59)
2024		55
2025		-
Thereafter		-
Total	<u>\$</u>	<u>(865)</u>

**Municipal Employees Benefits Trust (MEBT)**

By majority vote, City employees approved the City’s withdrawal from the Social Security System pursuant to 2 U.S.C.A., Sec. 418 (g) effective July 1, 1977. City employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both the City and participants are required to contribute an

amount equal to the current Federal Insurance Contributions Act (FICA) tax rate. The City's contribution for fiscal year 2020 was \$1,246,189 which represents its full liability.

For the year ending December 31, 2020 the City's covered payroll was \$21,910,021. No significant benefit changes occurred in 2020. The plan is administered by a Plan Committee consisting of two members appointed by the Mayor and five members elected by the employees who contribute to the plan. Members appointed by the Mayor serve at the pleasure of the Mayor; elected members serve a two-year term and may be re-elected for an additional two-year term.

Plan assets are not City property, but are maintained in trust at American Stock Transfer and Trust Company. Plan assets, therefore, are not included in these financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or the liabilities of the plan trustee without its consent.

The City has the right at any time to reduce, suspend, or completely discontinue its contributions to the plan. Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided through Cigna Group Insurance, and 2) each participant shall, at their normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay their retirement benefit from their account (no City or participant contributions are to be added to the account after retirement), or (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to their account.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31:

	<u>2020</u>
OPEB Liabilities	\$ (8,365,221)
Deferred Outflows of Resources	-
Deferred Inflows of Resources	-
OPEB Expense	843,038

In addition to providing pension benefits described under "Fireman's Pension," the City provides other post-employment health care benefits. Firefighters hired between March 1, 1970 and September 30, 1977 are members of the LEOFF 1 pension system and are also eligible for a supplemental retirement benefit plus health benefits under the City plan.

**General Information about the OPEB Plan**

**Plan Description**

This system is a closed, single-employer, defined benefit OPEB plan.

**Benefits Provided**

The City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund. In accordance with RCW 41.26.150, all employees who become eligible after age 50 or become disabled while employed with at least 5 years of service in the LEOFF 1 system are eligible.

**Employees Covered by Benefit Terms**

At December 31, 2020 the following employees were covered by the benefit terms:

	<u>2020</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	22
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Active Employees	-

**Funding Policy**

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

**Contributions**

Under authorization of the Disability Board, the City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. The retiree does not contribute towards the cost of their medical care.

**Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2020 and was determined using an actuarial valuation as of December 31, 2018. The actuarial measurement was based on the following methods and assumptions:

Methodology:	
Actuarial Cost Method	Entry Age
Actuarial Asset Method	Market Value
Assumptions:	
Investment Return Assumption (Discount Rate) *	2.00%
Salary Increases	3.00%
Cost of Living Adjustments	2.50%
Inflation	2.50%
Mortality	RP-2014 Static Projection to 2024 with Scale MP-2014
Medical Trend Rate	5.25% grading down to 5.00% in 2020
Long-Term Care Trend Rate	5.00%

\*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.

There were changes in methods and assumptions since the last actuarial valuation (December 31, 2018).

- Decreased the investment rate of return from 2.75% to 2.00%.

**Changes in the total OPEB Liability:**

	2020
Balance - January 1	\$ 7,877,232
Service Cost	-
Interest	211,775
Changes in Actuarial Assumptions	631,263
Differences Between Expected and Actual Experience	-
Benefit Payments and Withdrawals	(355,049)
Other	-
Total	<u>\$ 8,365,221</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate**

The following presents the total OPEB liability of the City calculated using a discount rate and healthcare trend rates that are 1 percentage point higher and 1 percentage point lower than the current discount rate and health care cost trend rates:

	1% Decrease	Current Rate 2%	1% Increase
Discount Rate	\$ 9,332,226	\$ 8,365,221	\$ 7,539,272

	1% Decrease	Current Rate 5.25% Grading Down to 5% in 2020	1% Increase
Discount Rate	\$ 7,375,412	\$ 8,365,221	\$ 9,515,675

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The City recognized OPEB expense for the year ended December 31 as follows:

	2020
Service Cost	\$ -
Interest Cost	211,775
Amortization of Deferred Inflows and Outflows	631,263
Total	<u>\$ 843,038</u>

## NOTE 12 – LONG-TERM DEBT

The City of Edmonds issues general obligation and revenue bonds to finance the acquisition and construction of major capital facilities and capital programs. General obligation bonds have been issued in the past for both general government and business type activities and are being repaid from the applicable resources. Governmental Activities long-term debt is paid from property and sales tax revenues. Revenue bonds are repaid out of the revenues generated by the related utility. In November of 2020, the City issued Water and Sewer Revenue Bonds (Certified Climate Bonds) in the amount of \$13,875,000 for the Carbon Recovery Project at the wastewater treatment plant.

The City of Edmonds is liable for seven Public Works Trust Fund Loans; three of the direct borrowing notes are general obligation and four notes from direct borrowing are business-type. The notes from direct borrowing are considered obligations of both the general government and the utility and are being repaid from the applicable resources. The City is liable for a direct borrowing note awarded by the Washington State Department of Ecology for the Wastewater Treatment Plant Electrical Improvements Project and a Snohomish County Public Works Assistance Fund direct borrowing note to finance the construction of a Stormwater Pump Station. The City is in compliance with all Washington State debt limitation statutes and bond indenture agreements.

The City also has an outstanding line of credit with Snohomish County in the amount \$136,250.

General obligation bonds currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2020
<b>Governmental Debt:</b>					
2012 LTGO Refunding Bonds	12/1/2031	2.00%	\$ 9,004,043	\$ 643,802	\$ 3,862,981
2016 Chase Bank Loan	12/1/2026	1.67%	838,526	82,220	521,122
2019 LTGO Bond - Civic Park	12/1/2039	5.00%	3,485,000	110,000	3,375,000
<b>Total Governmental GO Bonds</b>			<b>13,327,569</b>	<b>836,022</b>	<b>7,759,103</b>
<b>Business-type Debt:</b>					
2012 LTGO Refunding Bonds	12/1/2031	2.00%	320,957	31,198	32,019
2016 Chase Bank Loan	12/1/2026	1.67%	2,328,116	228,277	1,446,864
<b>Total Business-type GO Bonds</b>			<b>2,649,073</b>	<b>259,475</b>	<b>1,478,883</b>
<b>Total General Obligation Bonds</b>			<b>\$ 15,976,642</b>	<b>\$ 1,095,497</b>	<b>\$ 9,237,986</b>

Revenue bonds currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2020
<b>Business-type Debt:</b>					
2011 Water/Sewer Bonds	12/1/2031	4.00%	\$ 13,720,000	\$ 635,000	\$ 8,705,000
2013 Water/Sewer Bonds	12/1/2038	5.00%	15,010,000	205,000	13,730,000
2015 Water/Sewer Bonds	12/1/2040	4.00%	18,740,000	550,000	15,945,000
2020 Water/Sewer Bonds	12/1/2045	2.00%	13,875,000	-	13,875,000
<b>Total Revenue Bonds</b>			<b>\$ 61,345,000</b>	<b>\$ 1,390,000</b>	<b>\$ 52,255,000</b>



Notes from Direct Borrowing currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2020
<b>Governmental Debt:</b>					
P W Trust Fund Loan - Street Construction	6/30/2022	0.50%	\$ 340,000	\$ 18,143	\$ 36,287
P W Trust Fund Loan - Street Construction	6/30/2024	0.50%	400,000	21,176	84,706
P W Trust Fund Loan - Street Construction	5/24/2026	0.50%	624,750	32,882	197,290
Total Governmental Notes from Direct Borrowings			1,364,750	72,201	318,282
<b>Business-type Debt:</b>					
P W Trust Fund Loan - Trt. Plant/Sewer Improv.	6/30/2022	0.50%	1,347,250	71,325	142,650
P W Trust Fund Loan - Water Improvements	6/30/2024	0.50%	408,000	25,839	103,356
P W Trust Fund Loan - Storm Improvements	6/30/2024	0.50%	605,625	32,063	128,250
P W Trust Fund Loan - Sewer Improvements	6/30/2025	0.50%	1,216,902	72,295	361,476
Department of Ecology	10/31/2033	2.30%	638,540	29,580	453,314
Snohomish County Loan	7/1/2037	1.50%	408,750	21,513	387,237
Total Business-type Notes from Direct Borrowings			4,625,067	252,615	1,576,283
Total Notes from Direct Borrowings			\$ 5,989,817	\$ 324,816	\$ 1,894,565

Nonexchange Financial Guarantees currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2020
<b>Governmental Debt</b>					
Edmonds Public Facilities District	12/1/2025	0.700%	\$ 1,312,868	\$ 184,769	\$ 184,770
Total Nonexchange Financial Guarantee			\$ 1,312,868	\$ 184,769	\$ 184,770

**Nonexchange Financial Guarantee** – In 2008, the City of Edmonds guaranteed the 17-year, \$4 million general obligation bond issuance of the Edmonds Public Facilities District (PFD), a legally separate district within the City, in accordance with the authority provided by the Washington State Legislature and codified in RCW Chapters 35.57 and 39.46. The City guaranteed repayment of these bonds through a Contingent Loan Agreement (CLA) with the PFD, and has advanced funds to them to assist with debt service on these bonds.

In 2018 the PFD refinanced these bonds by issuing a 10-year Note to First Financial Northwest Bank (FFNB) in the amount of \$2,803,516. At the same time the City purchased an interest bearing Certificate of Deposit in the same amount, to be held by FFNB as collateral. Each time the PFD makes a principal payment on the loan, the City has the option to reduce the balance of the Certificate of Deposit by the amount of the principal payment.

In the event that the PFD is unable to make a payment, the CLA requires that the City will loan the PFD enough for them to be able to make the required payment. Between 2008 and December 31, 2020, the City has loaned the PFD a total of \$1,206,191. These advances are shown in the City's Statement of Net Position as a Due from Component Unit. Because of the debt restructuring undertaken with FFNB and the extension of a dedicated sales tax stream that will support future debt payments, the City believes that the likelihood that the City will be required to make additional loans to the PFD has significantly diminished. In recognition of this the City has reduced the estimated nonexchange financial guarantee liability in half for 2020, and if events continue as forecast during 2021, it is likely that by December 31, 2021 the City will eliminate this liability completely. In addition, the City expects to recover the entire balance of all past loans made under the CLA.

The liability recognized for nonexchange financial guarantees by the City for 2020 is as follows:

Balance			Balance
12/31/2019	Increases	Decreases	12/31/2020
\$ 369,539	\$ -	\$ 184,769	\$ 184,770

**Debt Limit** – RCW 39.36.020 provides cities with three segments of debt capacity, each equal to 2.5% of the city’s assessed valuation, for a combined total of 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 number of voters who voted 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 number of voters who voted in the last general election.

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

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

**Debt Limit Capacity**

Item	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	Without Vote (Councilmanic)	With Vote	With Vote	With Vote
	1.5%	2.5%	2.5%	2.5%
Legal Limits	\$ 165,168,322	\$ 110,112,214	\$ 275,280,536	\$ 275,280,536
Net outstanding indebtedness	(13,954,961)	-	-	-
Margin Available	\$ 151,213,361	\$ 110,112,214	\$ 275,280,536	\$ 275,280,536

**Defeased Debt** – In prior years, the City has defeased the 2007 general obligation bond and several revenue bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were placed in the trust funds. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed from City financial statements.

**Debt Service to Maturity** – The requirements to amortize the long-term debt as of December 31, 2020 are presented below. Debt service for the LTGO bonds and governmental loans are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds

of the City with the exception of the 2012 LTGO refunding bonds. The Public Facilities District (PFD) is obligated by inter-local agreement to pay the entire amount of the PFD's portion of the 2012 debt service over the life of the bonds. (See Note 1). Debt service for the revenue bonds is paid by the Utility Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

At December 31, 2020 the City had \$3,290,576 in the Enterprise funds available for debt service.

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

Year	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2021	953,455	206,476	1,159,931	1,961,521	1,890,489	3,852,010
2022	831,443	178,385	1,009,828	1,982,898	1,817,347	3,800,245
2023	850,509	159,367	1,009,876	1,978,426	1,755,091	3,733,517
2024	886,280	141,003	1,027,283	2,036,304	1,691,922	3,728,227
2025	901,976	121,386	1,023,362	2,044,354	1,625,682	3,670,036
2026-2030	1,703,723	370,094	2,073,817	9,832,621	7,133,970	16,966,591
2031-2035	1,070,000	181,456	1,251,456	11,434,501	5,184,879	16,619,380
2036-2040	880,000	55,875	935,875	12,299,539	2,604,440	14,903,979
2041-2045	-	-	-	11,740,000	801,456	12,541,456
	<b>\$ 8,077,386</b>	<b>\$ 1,414,043</b>	<b>\$ 9,491,428</b>	<b>\$ 55,310,165</b>	<b>\$ 24,505,277</b>	<b>\$ 79,815,442</b>

Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the City will be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

If Snohomish County finds that the City has failed to comply with the terms of the loan agreement, the County can declare the City in default and terminate the Agreement in whole. The City has 5 days from written notice to remedy said default. In the event the City fails to remedy the default, the County shall issue the City of Edmonds written notice of termination and declare the principle amount owing and interest due at the time to be immediately due and payable.

The Washington State Public Works Trust Fund loans will assess a daily penalty beginning on the 31<sup>st</sup> day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be 12% per annum calculated on a 360-day year for the delinquent amount.

The Washington State Department of Ecology loan will assess a late charge of one percent per month on the past due amount starting on the date the debt becomes past due and until it is paid in full. If the Department of Ecology initiates a termination event or a loan default event occurs, the Department of Ecology may at its sole discretion demand that the City repay the outstanding balance of the loan amount and all accrued interest. In the event of a default, the Department may declare the principal of and interest on the loan immediately due and payable.

**Arbitrage** – The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay investment income received at yields that exceed the issuer's borrowing rates to the United States Treasury. The liability is recorded at present value and payable every five years or 60 days after defeasance of the debt. At December 31, 2020, the City of Edmonds had no arbitrage liability.

**Revenue Bond Debt Service Coverage** – The required debt service coverage for the utility revenue bonds is 1.25. Please refer to Schedule 15 in the Statistical Section.

### NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 8,595,125	\$ -	\$ (836,022)	\$ 7,759,103	\$ 881,253
Less:					
For issuance premiums	300,944	-	(15,047)	285,897	15,047
Total bonds payable:	8,896,069	-	(851,069)	8,045,000	896,300
Pension liabilities	4,510,105	48,069	-	4,558,174	-
Total OPEB liability	7,877,232	487,989	-	8,365,221	-
Compensated absences	2,136,462	2,660,388	(2,301,812)	2,495,038	1,770,626
Governmental loans	390,484	-	(72,201)	318,283	72,201
Nonexchange Financial Guarantee	369,539	-	(184,769)	184,770	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 24,179,891</b>	<b>\$ 3,196,446</b>	<b>\$ (3,409,851)</b>	<b>\$ 23,966,486</b>	<b>\$ 2,739,127</b>
<b>Business-type activities</b>					
Bonds Payable:					
General obligation bonds	1,738,359	\$ -	\$ (259,475)	\$ 1,478,884	\$ 263,219
Revenue bonds	39,770,000	13,875,000	(1,390,000)	52,255,000	1,445,000
Less:					
For issuance premiums	547,260	-	(36,959)	510,301	36,959
For issuance discount	-	(162,108)	-	(162,108)	(6,484)
Total bonds payable:	42,055,619	13,712,892	(1,686,434)	54,082,077	1,738,694
Pension liabilities	916,052	21,884	(1,041)	936,895	-
Compensated absences	414,416	443,919	(446,185)	412,150	343,218
Business-type loans	1,556,398	272,500	(252,615)	1,576,283	253,302
<b>Business-type activity long-term liabilities</b>	<b>\$ 44,942,485</b>	<b>\$ 14,451,195</b>	<b>\$ (2,386,275)</b>	<b>\$ 57,007,405</b>	<b>\$ 2,335,214</b>

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2020 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year-end internal service fund balances include \$131,856 for compensated absences and \$189,624 for the total pension obligation.

The General Fund is typically used in prior years to liquidate long-term liabilities other than debt.

## **NOTE 14 – CONTINGENCIES AND LITIGATIONS**

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

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

## **NOTE 15 – RISK MANAGEMENT**

**Property and Liability Insurance** – The City of Edmonds is exposed to various risks of loss from torts; thefts of damage or destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters.

The City and its employees contribute to the State of Washington's Department of Labor and Industries for Workers' Compensation. There were no settlements in excess of coverage in any of the prior three years.

The City of Edmonds is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW and Chapter 39.34 RCW, nine cities originally formed the WCIA on January 1, 1981. The WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and jointly contracting for risk management services. WCIA has a total of 162 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. The City currently

has no such assessments due to WCIA. The City incurred no settlements in excess of coverage in any of the past three years.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the daily operations of WCIA.

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2020, 262 cities, towns, or non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. In April 2020, The Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

## NOTE 16 – COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2020, the City's outstanding material contractual obligations, which include construction and engineering contracts, are summarized below:

<b>Contract Name</b>	<b>Expenditures to Date</b>	<b>Remaining Commitment</b>
Waterfront Redevelopment	743,739	612,624
Edmonds Fishing Pier Rehab	447,139	23,087
84th Ave Overlay	1,122,347	19,477
Ph 10 Waterline & Swedish Hospital Water System	1,805,828	259,343
2020 Overlay Program	80,607	48,208
Five Corners Recoating Project	530,458	15,657
Dayton Street Stormwater Pump Station	1,793,751	163,219
Dayton St. Utility Replacement (3rd to 9th)	6,659,412	597,274
2019 Storm Maintenance Project	117,071	28,694
Phase 7 Sanitary Sewer Replacement Project	2,419,902	56,654
Citywide Crossing Enhancements	347,676	1,288,858
Citywide Bicycle Improvements	73,584	235,937
238th St. Island & Downtown Ramps	630,750	(363,014)
Citywide CIPP Sewer Rehab Project Phase 2	630,751	94,469
Phase 2 & 3 Storm Utility Replacement	132,352	378,734
Phase 8 Sewerline Replacement Program	255,888	116,024
Phase 11 Waterline Replacement Project	329,633	74,067
Yost & Sewer Reservoir Assessment	4,691	92,177
2021 Overlay Program	21,158	22,615
Hwy 99 Gateway Revitalization	658,150	835,615
Students Saving Salmon	2,935	7,065
76th Ave & 220th St. Intersection Improvements	49,909	33
Grant Writing for Willow Creek Daylighting Project	4,563	15,875
Swedish Hospital Water System Replacement	428,584	31,249
2020 Guardrail Installation Project	14,138	510
Edmonds Marsh Feasibility Study - Willow Creek Daylighting	509,689	24,636
2018 Lorian Woods Slope Study	48,461	8,439
Lift Station #1 Basin & Flow Study	228,877	39,804
Lake Ballinger Sewer Trunk Main Study	68,794	226,354
2017 CIPP Sewer Repairs	77,524	7,476
WWTP Outfall Pipe Modifications	50,358	39,642
On-Call Wastewater Engineering Services	6,758	18,242
2020 Capital Projects CM, Engineering & Inspection Service	117,551	180,049
Ballinger Regional Facility	289,015	35,854
175th St. SW Slope	3,060	3,790
Edmonds Public Works Apron Repair	21,755	3,245
Waterfront Redevelopment	3,786,800	1,167,451
Civic Center Complex	1,084,602	3,741,738
Edmonds Fishing Pier Rehab	89,375	54,425
	<b>\$ 25,687,633</b>	<b>\$ 10,205,596</b>

## NOTE 17 – SUBSEQUENT EVENTS

In early 2020 a deadly new virus, COVID-19, was identified in the Continental United States. This virus grew into a global pandemic, affecting virtually every aspect of life in the City of Edmonds, in the nation, and in the world. The effects of the pandemic continue into 2021. Although the City has escaped the majority of the economic fallout from the pandemic, at the time of publication of this document the pandemic continues, and the impacts it will have in 2021 and beyond are unknown to us at this time.



**FIREMEN'S PENSION FUND OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS\***

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ -	\$ -	\$ -
Interest	211,775	272,551	225,578
Changes in Actuarial Assumptions	631,263	961,775	9,075
Differences Between Expected and Actual Experience	-	-	(578,428)
Benefit Payments and Withdrawals	<u>(355,049)</u>	<u>(338,445)</u>	<u>(388,253)</u>
<b>Net Change in Total OPEB Liability</b>	487,989	895,881	(732,028)
<b>Total OPEB Liability - Beginning</b>	<u>7,877,232</u>	<u>6,981,351</u>	<u>7,713,379</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 8,365,221</u>	<u>\$ 7,877,232</u>	<u>\$ 6,981,351</u>
<b>Covered Payroll</b>	\$ -	\$ -	\$ -
<b>Total OPEB Liability as a % of Covered Payroll</b>	N/A	N/A	N/A

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

**FIREMEN'S PENSION FUND**  
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS\***

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	16,828	26,547	19,147	23,528	15,991	16,365	30,016
Changes in Benefits Provided	-	-	-	-	188,817	-	-
Differences Between Expected and Actual Experience	-	67,664	96,849	-	17,054	-	(256,011)
Changes in Actuarial Assumptions	29,948	(55,159)	(4,985)	37,919	(13,330)	-	(31,502)
Benefit Payments and Withdrawals	(61,740)	(119,116)	(53,203)	(48,062)	(27,936)	(26,175)	(24,481)
<b>Net Change in Total Pension Liability</b>	(14,964)	(80,064)	57,808	13,385	180,596	(9,810)	(281,978)
<b>Total Pension Liability - Beginning</b>	642,577	722,641	664,833	651,448	470,852	480,662	762,640
<b>Total Pension Liability - Ending</b>	<u>\$ 627,613</u>	<u>\$ 642,577</u>	<u>\$ 722,641</u>	<u>\$ 664,833</u>	<u>\$ 651,448</u>	<u>\$ 470,852</u>	<u>\$ 480,662</u>
<b>Fiduciary Net Position</b>							
Contributions - Employer	\$ -	\$ 15,000	\$ 39,297	\$ 46,613	\$ 47,449	\$ 38,775	\$ 21,581
Contributions from State Fire Insurance							
Premium Tax	51,491	48,232	-	-	-	-	-
Net Investment Income	3,897	6,605	5,662	4,455	2,296	1,629	662
Benefit Payments and Withdrawals	(61,740)	(119,116)	(53,203)	(48,062)	(27,936)	(26,175)	(24,481)
Medical payments from fund	(19,258)	(20,417)	-	-	-	-	-
Administrative Expenses	(1,007)	(1,269)	(538)	(1,222)	(214)	-	-
Other	-	-	-	-	-	96	-
<b>Change in Fiduciary Net Position</b>	(26,617)	(70,965)	(8,782)	1,784	21,595	14,325	(2,238)
<b>Fiduciary Net Position - Beginning</b>	146,733	217,698	226,480	224,696	203,101	188,776	191,014
<b>Fiduciary Net Position - Ending</b>	<u>\$ 120,116</u>	<u>\$ 146,733</u>	<u>\$ 217,698</u>	<u>\$ 226,480</u>	<u>\$ 224,696</u>	<u>\$ 203,101</u>	<u>\$ 188,776</u>
<b>Net Pension Liability</b>	<u>\$ 507,497</u>	<u>\$ 495,844</u>	<u>\$ 504,943</u>	<u>\$ 438,353</u>	<u>\$ 426,752</u>	<u>\$ 267,751</u>	<u>\$ 291,886</u>
<b>Fiduciary Net Position as a % of the Total Pension Liability</b>	19.1%	22.8%	30.1%	34.1%	34.5%	43.1%	39.3%
<b>Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Pension Liability as a % of Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* Information is presented only for those years for which information is available.

**FIREMEN'S PENSION FUND  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll	Annual Money Weighted Rate of Return Net of Investment Expense
2020	\$ 82,874	\$ 32,233	\$ 50,641	\$ -	N/A	2.88 %
2019	82,874	42,815	40,059	-	N/A	3.75
2018	43,194	39,297	3,897	-	N/A	2.58
2017	43,194	46,613	(3,419)	-	N/A	1.99
2016	25,353	47,449	(22,096)	-	N/A	1.08
2015	25,353	38,775	(13,422)	-	N/A	0.83
2014	44,223	21,581	22,642	-	N/A	0.35
2013	44,223	(3,576)	47,799	-	N/A	0.17
2012	38,602	42,004	(3,402)	-	N/A	0.14
2011	38,602	(6,229)	44,831	-	N/A	0.16

\* Information is presented only for those years for which information is available.

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30 (MEASUREMENT DATE)  
LAST 10 FISCAL YEARS\*  
(SEE INDEPENDENT AUDITOR'S REPORT)**

**PERS 1**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.097758%	\$ 3,451,385	\$ 14,373,946	24.01%	68.64%
2019	0.097960%	3,766,920	13,393,923	28.12%	67.12%
2018	0.090868%	4,058,195	12,701,466	31.95%	63.22%
2017	0.109876%	5,213,702	13,404,013	38.90%	61.24%
2016	0.101894%	5,472,188	14,068,530	38.90%	57.03%
2015	0.101786%	5,324,534	13,688,460	38.90%	59.10%

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**PERS 2/3**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.120113%	\$ 1,536,177	\$ 14,092,149	10.90%	97.22%
2019	0.119772%	1,163,393	13,101,081	8.88%	97.77%
2018	0.109886%	1,876,206	12,370,371	15.17%	95.77%
2017	0.133191%	4,627,751	13,053,673	35.45%	90.97%
2016	0.121658%	6,125,384	12,502,808	48.99%	85.82%
2015	0.121602%	4,344,909	11,627,811	37.37%	89.20%

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITOR'S REPORT)**

**LEOFF 1**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer	Total	Employer's Covered Payroll
2020	0.055457%	\$ (1,047,310)	\$ (7,083,982)	\$ (8,131,292)	\$ -
2019	0.053590%	(1,059,266)	(7,164,848)	(8,224,114)	-
2018	0.053132%	(964,613)	(6,524,615)	(7,489,228)	-
2017	0.055859%	(847,504)	(5,732,485)	(6,579,989)	-
2016	0.055141%	(568,110)	(5,363,896)	(5,932,006)	-
2015	0.054022%	(651,084)	(5,125,471)	(5,776,555)	-
	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
2020	0.00%	146.88%			
2019	0.00%	148.78%			
2018	0.00%	144.42%			
2017	0.00%	135.96%			
2016	0.00%	123.74%			
2015	0.00%	127.36%			

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITOR'S REPORT)**

**LEOFF 2**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer	Total	Employer's Covered Payroll
2020	0.176926%	\$ (3,609,032)	\$ (2,307,703)	\$ (5,916,735)	\$ 6,654,735
2019	0.192032%	(4,448,792)	(2,913,363)	(7,362,155)	6,764,235
2018	0.180721%	(3,669,030)	(797,902)	(4,466,932)	6,513,429
2017	0.201856%	(2,801,107)	(545,988)	(3,347,095)	3,524,363
2016	0.184178%	(1,071,235)	(229,538)	(1,300,773)	3,059,830
2015	0.183336%	(1,884,327)	(409,091)	(2,293,418)	2,861,034
	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
2020	-54.23%	115.83%			
2019	-65.77%	119.43%			
2018	-56.33%	118.50%			
2017	-79.48%	113.36%			
2016	-35.01%	106.04%			
2015	-65.86%	111.67%			

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31 (EMPLOYER REPORTING DATE)  
LAST 10 FISCAL YEARS\***

**PERS 1**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ 719,557	\$ (719,557)	\$ -	\$ 14,529,989	4.95%
2019	710,800	(710,800)	-	13,939,730	5.10%
2018	676,511	(676,511)	-	12,882,202	5.25%
2017	639,839	(639,839)	-	12,597,735	5.08%
2016	620,544	(620,544)	-	12,099,373	5.13%
2015	583,605	(583,605)	-	11,674,157	5.00%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**PERS 2/3**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ 1,128,159	\$ (1,128,159)	\$ -	\$ 14,244,396	7.92%
2019	1,054,573	(1,054,573)	-	13,663,708	7.72%
2018	942,080	(942,080)	-	12,560,116	7.50%
2017	842,249	(842,249)	-	12,270,542	6.86%
2016	743,678	(743,678)	-	11,845,981	6.28%
2015	710,849	(710,849)	-	11,203,929	6.34%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31 (EMPLOYER REPORTING DATE)  
LAST 10 FISCAL YEARS\***

**LEOFF 1**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ -	\$ -	\$ -	\$ -	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2015	-	-	-	-	0.00%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**LEOFF 2**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ 360,086	\$ (360,086)	\$ -	\$ 6,991,945	5.15%
2019	354,709	(354,709)	-	6,769,231	5.24%
2018	180,384	(180,384)	-	6,552,661	2.75%
2017	176,008	(176,008)	-	6,142,987	2.87%
2016	154,521	(154,521)	-	3,059,830	5.05%
2015	144,483	(144,483)	-	2,861,034	5.05%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.



**City of Edmonds**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

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		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	N/A	-	2,052	2,052	-	
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-2511(004)	130,157	-	130,157	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2509 (001)	154,075	-	154,075	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-0365 (013)	68,697	-	68,697	-	
<b>Total Highway Planning and Construction Cluster:</b>				<b>352,929</b>	<b>-</b>	<b>352,929</b>	<b>-</b>	
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2020-HVE-3770	1,577	-	1,577	-	
<b>Total Highway Safety Cluster:</b>				<b>1,577</b>	<b>-</b>	<b>1,577</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**City of Edmonds**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

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 Washington State Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	1,042	-	1,042	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	Coronavirus Relief Fund	21.019	20-654IC-167	1,897,650	-	1,897,650	456,344	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	Coronavirus Relief Fund	21.019	N/A	217,000	-	217,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Economic Alliance Snohomish County)	Coronavirus Relief Fund	21.019	N/A	9,257	-	9,257	-	
<b>Total CFDA 21.019:</b>				<b>2,123,907</b>	<b>-</b>	<b>2,123,907</b>	<b>456,344</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Port Security Grant Program	97.056	EMW-2015-PU- 00230 & EMW- 2017-PU-00063	559	-	559	-	
<b>Total Federal Awards Expended:</b>				<b>2,480,014</b>	<b>2,052</b>	<b>2,482,066</b>	<b>456,344</b>	

The accompanying notes are an integral part of this schedule.

**CITY OF EDMONDS, WASHINGTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2020**

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Edmonds' financial statements. The City uses the modified accrual accounting method which is followed in all government funds, expendable trust, and agency funds and the full accrual accounting method in its proprietary funds.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PRIOR YEAR EXPENSES REPORTED

Expenses from 2016 and 2017 in the amount of \$130,156.84 are included in this total. With the final grant reconciliation for this line item, expenses in early construction phases that were not previously reimbursed were included as part of a final billing.



**CITY OF EDMONDS**

CITY HALL

121 5<sup>th</sup> AVENUE NORTH • EDMONDS, WA 98020

425.771.0240 • FAX 425.771.0265

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

**City of Edmonds  
January 1, 2020 through December 31, 2020**

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).

<p><b>Finding ref number:</b> 2020-001</p>	<p><b>Finding caption:</b> The City’s internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring activities.</p>
<p><b>Name, address, and telephone of City contact person:</b> Dave Turley 121 5th Avenue N. Edmonds, WA 98020 (425) 275-4688</p>	
<p><b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City will ensure that the distribution of any support payments to individuals and businesses will comply with stated eligibility requirements, and that required reporting from recipients will be obtained.</i></p>	
<p><b>Anticipated date to complete the corrective action:</b> We have already begun implementing this corrective action and plan for it to be in place for 2021 reporting requirements.</p>	

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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