



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Lynnwood

For the period January 1, 2021 through December 31, 2021

*Published December 19, 2022*

Report No. 1031272



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

December 19, 2022

Mayor and City Council  
City of Lynnwood  
Lynnwood, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Lynnwood January 1, 2021 through December 31, 2021

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

The results of our audit of the City of Lynnwood 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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate 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 no deficiencies that we consider to be material weaknesses.

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

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

## Identification of Major Federal Programs

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

| <u>CFDA No.</u> | <u>Program or Cluster Title</u>   |
|-----------------|---|
| 20.205          | Highway Planning and Construction Cluster – Highway Planning and Construction |
| 21.027          | COVID-19 – Coronavirus State and Local Fiscal Recover Funds                   |

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

None reported.



LYNNWOOD WASHINGTON

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Lynnwood
January 1, 2021 through December 31, 2021

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

Table with 4 columns: Audit Period, Report Ref. No., Finding Ref. No., CFDA Number(s). Rows include: Federal Program Name and Granting Agency, Finding Caption, Background, Status of Corrective Action, and Corrective Action Taken.

*Due to staffing vacancies in both Finance and the Procurement office, the City did not formalize the risk assessment process until early September of 2022. The contract terms for subrecipients of federal funding are still in development and will be completed by the end of September of 2022. No ARPA subrecipient contracts have been entered into yet. The corrective action plan will be fully implemented before any subrecipient contracts are entered into and/or federal ARPA dollars awarded to subrecipients are expended. City Council authorized the creation of a part-time Accountant position to manage the ARPA risk assessment, contracting, monitoring, reimbursement and reporting to ensure compliance with federal guidelines.*

## 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 Lynnwood January 1, 2021 through December 31, 2021

Mayor and City Council  
City of Lynnwood  
Lynnwood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lynnwood, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2022.

### REPORT ON 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) as a basis for designing 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 above 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 or significant deficiencies may exist that were not identified.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

September 28, 2022

# 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 Lynnwood January 1, 2021 through December 31, 2021

Mayor and City Council  
City of Lynnwood  
Lynnwood, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Lynnwood, with the types of compliance requirements identified as subject to audit 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, 2021. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **REPORT ON 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### **Purpose of this Report**

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 12, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Lynnwood January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Lynnwood  
Lynnwood, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lynnwood, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lynnwood, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. 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 supplementary information 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 September 28, 2022 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

**City of Lynnwood  
January 1, 2021 through December 31, 2021**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021

Statement of Activities – 2021

Balance Sheet – Governmental Funds – 2021

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2021

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to Financial Statements – 2021

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Budget Basis – 2021

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Note to RSI – 2021

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – American Rescue Plan Act Fund – 2021

Schedule of Proportionate Share of the Net Pension Liability/Asset – PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2, LEOFF 2 – 2021

Schedule of Changes in the Net Pension Liability and Related Ratios – Firefighter’s Pension – 2021  
Schedule of Employer Contributions – Firefighter’s Pension – 2021  
Schedule of Investment Returns – Firefighter’s Pension – 2021  
Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retiree Medical and Long-Term Care Benefits – 2021

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

Within this section of the City of Lynnwood, Washington (“the City”) annual comprehensive financial report, the City’s management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2021. We discuss and analyze the City’s financial performance within the context of the accompanying financial statements, schedules, and note disclosures following this section.

### ***Financial Highlights***

- The City’s assets and deferred outflows exceeded its liabilities and deferred inflows by \$284,361,212 (net position) at the end of the calendar year.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$204,445,981 includes property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the acquisition or construction of capital assets.
  - (2) Net position of \$40,106,969 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations, and City restricted reserve policies.
  - (3) Unrestricted net position of \$39,808,262 represents the portion available to maintain the City’s continuing obligations to citizens and creditors.
- The City’s governmental funds reported a total ending fund balance of \$106,930,165 this year. This compares to the adjusted prior year ending fund balance of \$46,879,626, showing an increase of \$60,050,539 or 128% during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$8,941,578, or 20.7% of total General Fund expenditures.
- Overall, the City continues to maintain a strong financial position.

The above financial highlights are explained in more detail in the “financial analysis” section of this document.

### ***Overview of the Financial Statements***

This Management Discussion and Analysis (MD&A) document introduces the City’s basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The City’s annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City’s overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and the elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*. This statement reports how the City’s net position changed during the current calendar year. All current year revenues and expenses are included regardless of when the City receives or pays cash.

An important purpose of the *Statement of Activities* is to show the financial reliance of the City’s distinct activities or functions on revenues provided by the City’s taxpayers.

Governmental activities included in this statement are general government, judicial, public safety, social services, transportation, economic environment and culture and recreation. Business-type activities include water, sewer and storm water and the golf course. Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. For example, the Street Fund accounts for dollars associated with street maintenance. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds: Governmental, Proprietary and Fiduciary

- *Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements such as police, fire, and administration. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

- *Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee such as water, sewer, and storm water. The City's proprietary funds are classified as enterprise funds and an internal service fund. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The internal service fund is an equipment rental fund.
- *Fiduciary fund* type represents funds held in trust and includes the firemen's pension trust fund, the recreation scholarship fund, and the custodial fund.

### ***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### ***Required Supplementary Information***

This section includes the budgetary schedules for the general fund and disclosure related to pensions and other-postemployment benefits.

### ***Supplementary Information***

Combining and comparative individual statements and schedules for some major and nonmajor funds are presented as supplementary information in this report.

### ***Financial Analysis of the City as a Whole***

The City's net position at calendar year-end was \$284,361,212. The following table provides a summary of the City's net position:

**Summary of Net Position at December 31,**

|                                     | <b>Governmental Activities</b> |                       | <b>Business-type Activities</b> |                      | <b>Total</b>          |                       |
|-------------------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
|                                     | <b>2021</b>                    | <b>2020</b>           | <b>2021</b>                     | <b>2020</b>          | <b>2021</b>           | <b>2020</b>           |
| Assets:                             |                                |                       |                                 |                      |                       |                       |
| Current                             | \$ 128,118,795                 | \$ 57,807,167         | \$ 24,628,239                   | \$ 31,269,806        | \$ 152,747,034        | \$ 89,076,973         |
| Capital assets                      | 173,710,619                    | 151,069,775           | 102,984,508                     | 92,747,647           | 276,695,127           | 243,817,422           |
| Other                               | 31,063,601                     | 8,896,596             | 2,336,061                       | 2,555,031            | 33,399,662            | 11,451,627            |
| <b>Total assets</b>                 | <b>332,893,015</b>             | <b>217,773,538</b>    | <b>129,948,808</b>              | <b>126,572,484</b>   | <b>462,841,823</b>    | <b>344,346,022</b>    |
| Deferred outflows<br>of resources   | 5,463,759                      | 5,709,577             | 399,154                         | 507,461              | 5,862,913             | 6,217,038             |
| Liabilities:                        |                                |                       |                                 |                      |                       |                       |
| Current                             | 16,690,326                     | 7,305,670             | 5,077,676                       | 6,654,529            | 21,768,002            | 13,960,199            |
| Non-current                         | 93,470,208                     | 38,233,730            | 43,620,299                      | 47,142,769           | 137,090,507           | 85,376,499            |
| <b>Total liabilities</b>            | <b>110,160,534</b>             | <b>45,539,400</b>     | <b>48,697,975</b>               | <b>53,797,298</b>    | <b>158,858,509</b>    | <b>99,336,698</b>     |
| Deferred inflows<br>of resources    | 22,115,450                     | 3,237,264             | 3,369,565                       | 527,621              | 25,485,015            | 3,764,885             |
| Net position:                       |                                |                       |                                 |                      |                       |                       |
| Net investment in<br>capital assets | 147,752,563                    | 130,654,775           | 56,693,418                      | 45,538,331           | 204,445,981           | 176,193,106           |
| Restricted                          | 39,309,425                     | 33,940,718            | 797,544                         | 554,428              | 40,106,969            | 34,495,146            |
| Unrestricted                        | 19,018,802                     | 10,110,958            | 20,789,460                      | 26,662,267           | 39,808,262            | 36,773,225            |
| <b>Net position</b>                 | <b>\$ 206,080,790</b>          | <b>\$ 174,706,451</b> | <b>\$ 78,280,422</b>            | <b>\$ 72,755,026</b> | <b>\$ 284,361,212</b> | <b>\$ 247,461,477</b> |

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 7.7 to 1 as compared to 7.9 to 1 at December 31, 2020. The current ratio for the business-type activities at December 31, 2021 is 4.9 to 1 as compared to 4.7 to 1 at December 31, 2020. For the City overall, the current ratio is 7.0 to 1 as compared to 6.4 to 1 at December 31, 2020. These ratios are strong.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$31,374,339 for governmental activities and increased by \$5,525,396 for business-type activities. The City's overall financial position increased during calendar year 2021 by \$36,899,735. Although the city has established reserve policies the Governmental Accounting Standards Board (GASB) limits the term "Restricted" to restrictions placed by outside parties such as bondholders.

71.7% of the governmental activities' net position is committed to capital, such as building, infrastructure, vehicles, and equipment. The City uses these capital assets to provide services to its citizens. With business-type activities, the City has 72.4% of its net position invested in capital assets. Capital assets in the business-type activities also provide water, sewer and storm water services and the golf course, but they also generate revenues for these funds. Overall, 71.9% of the City's total net position is invested in capital assets.

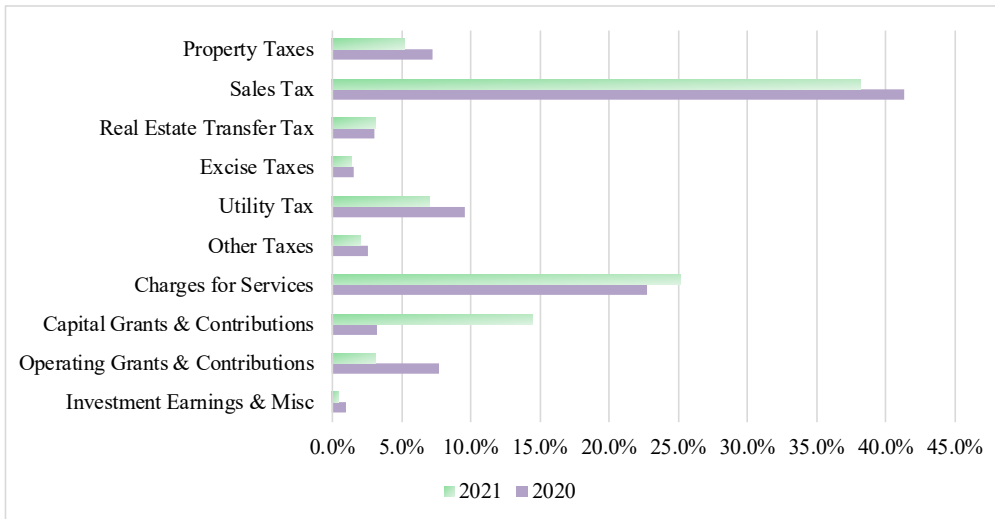
The following table provides a summary of the City's changes in net position:

|                                    | <b>Summary of Changes in Net Position</b> |                   |                                 |                   |                    |                   |
|------------------------------------|---|-------------------|---------------------------------|-------------------|--------------------|-------------------|
|                                    | <b>Governmental Activities</b>            |                   | <b>Business-type Activities</b> |                   | <b>Total</b>       |                   |
|                                    | <b>2021</b>                               | <b>2020</b>       | <b>2021</b>                     | <b>2020</b>       | <b>2021</b>        | <b>2020</b>       |
| Revenues:                          |   |                   |                                 |                   |                    |                   |
| Program:                           |   |                   |                                 |                   |                    |                   |
| Charges for services               | \$ 20,703,447                             | \$ 13,419,294     | \$ 26,907,331                   | \$ 25,892,658     | \$ 47,610,778      | \$ 39,311,952     |
| Operating grants and contributions | 2,596,297                                 | 4,518,072         | 367,388                         | 51,463            | 2,963,685          | 4,569,535         |
| Capital grants and contributions   | 11,890,242                                | 1,876,992         | 810,004                         | 3,033,937         | 12,700,246         | 4,910,929         |
| General:                           |   |                   |                                 |                   |                    |                   |
| Property taxes                     | 4,233,938                                 | 4,268,168         | -                               | -                 | 4,233,938          | 4,268,168         |
| Sales taxes                        | 31,425,145                                | 24,349,634        | -                               | -                 | 31,425,145         | 24,349,634        |
| Business and other taxes           | 11,133,425                                | 9,901,112         | -                               | -                 | 11,133,425         | 9,901,112         |
| Investment earnings                | (164,813)                                 | 521,234           | 52,996                          | 443,230           | (111,817)          | 964,464           |
| Other revenues                     | 448,208                                   | 69,346            | -                               | -                 | 448,208            | 69,346            |
| <b>Total revenues</b>              | <b>82,265,889</b>                         | <b>58,923,852</b> | <b>28,137,719</b>               | <b>29,421,288</b> | <b>110,403,608</b> | <b>88,345,140</b> |
| Program Expenses:                  |   |                   |                                 |                   |                    |                   |
| General government                 | 7,764,908                                 | 12,775,727        | -                               | -                 | 7,764,908          | 12,775,727        |
| Economic environment               | 4,806,185                                 | 4,738,876         | -                               | -                 | 4,806,185          | 4,738,876         |
| Judicial                           | 840,599                                   | 949,133           | -                               | -                 | 840,599            | 949,133           |
| Culture and recreation             | 6,812,909                                 | 6,683,452         | -                               | -                 | 6,812,909          | 6,683,452         |
| Public safety                      | 19,043,915                                | 21,344,811        | -                               | -                 | 19,043,915         | 21,344,811        |
| Social services                    | 397,114                                   | 450,612           | -                               | -                 | 397,114            | 450,612           |
| Transportation                     | 9,325,059                                 | 9,116,844         | -                               | -                 | 9,325,059          | 9,116,844         |
| Utilities                          | 39,602                                    | 38,390            | -                               | -                 | 39,602             | 38,390            |
| Interest on long-term debt         | 2,038,950                                 | 791,059           | -                               | -                 | 2,038,950          | 791,059           |
| Water/sewer/storm utility          | -   | -                 | 20,935,360                      | 21,054,285        | 20,935,360         | 21,054,285        |
| Golf course                        | -   | -                 | 1,499,272                       | 1,334,019         | 1,499,272          | 1,334,019         |
| <b>Total expenses</b>              | <b>51,069,241</b>                         | <b>56,888,904</b> | <b>22,434,632</b>               | <b>22,388,304</b> | <b>73,503,873</b>  | <b>79,277,208</b> |
| Revenues over (under) expenses     | 31,196,648                                | 2,034,948         | 5,703,087                       | 7,032,984         | 36,899,735         | 9,067,932         |
| Transfers                          | 88,725                                    | -                 | (88,725)                        | -                 | -                  | -                 |
| Changes in net position            | 31,285,373                                | 2,034,948         | 5,614,362                       | 7,032,984         | 36,899,735         | 9,067,932         |
| Beginning net position             | 174,706,451                               | 172,710,184       | 72,755,026                      | 65,722,042        | 247,461,477        | 238,432,226       |
| Prior period adjustments           | 88,966                                    | (38,681)          | (88,966)                        | -                 | -                  | (38,681)          |
| Beginning net position - restated  | 174,795,417                               | 172,671,503       | 72,666,060                      | 65,722,042        | 247,461,477        | 238,393,545       |
| Ending net position                | \$ 206,080,790                            | \$ 174,706,451    | \$ 78,280,422                   | \$ 72,755,026     | \$ 284,361,212     | \$ 247,461,477    |

## GOVERNMENTAL ACTIVITIES-REVENUES

Total tax revenue increased by \$8,273,594 or 21.5% from 2020 to 2021; 2020 revenues in sales, admissions, utility, and excise taxes were reduced due to the COVID-19 pandemic.

As the chart below depicts, in total, in 2021 taxes make up 56.8% of the total revenues stream as compared to 65.4% in 2020. 2021 property taxes make up 5.1% of revenues, as compared to 7.2% in 2020, and 2021 sales taxes make up 38.2% of total revenues as compared to 41.3% in 2020.



The operating grants and contributions for general government of \$654,070 included the following:

- Public Utility District Privilege Tax - \$254,103
- COVID-19 assistance - \$389,967
- Other Miscellaneous Revenues and Donations - \$10,000

The operating grants for culture and recreation of \$20,483 included the following:

- Donations, Parks, and Senior Services - \$12,021
- Snohomish County - \$8,462

The operating grants for public safety of \$555,923 included the following:

- LEOFF Pension Plan Special Funding - \$285,593
- Law Enforcement Services - \$13,646
- Traffic safety grants - \$11,229
- Snohomish County Regional Drug and Gang Task Force - \$1,508
- Department of Justice Equitable Sharing - \$1,170
- Department of Justice Grants – \$14,138
- Department of Treasury Grant - \$1,995
- Legislative Allocation - \$162,000
- Washington State Criminal Justice distributions - \$59,918
- Other Miscellaneous Revenues and Donations - \$4,726

The operating grants and contributions for transportation of \$836,391 included the following:

- Motor Vehicle Fuel Tax and Other Street Operating Funds - \$821,529
- Washington Traffic Safety Commission - \$14,862

The operating grants and contributions for utilities of \$8,570 included the following:

- Department of Ecology Grant - \$8,570



The operating grants and contributions for judicial of \$6,376 included the following:

- Administrative Office of the Courts - \$6,376

The operating grants and contributions for economic environment of \$514,484 included the following:

- Sound Transit Interlocal Agreement - \$424,484
- Department of Commerce - \$90,000

The capital grants and contributions for transportation of \$10,074,083 included the following:

- Washington State Department of Transportation grants - \$9,968,426
- Interlocal Agreements - \$68,707
- Other Miscellaneous Revenues and Donations - \$36,950

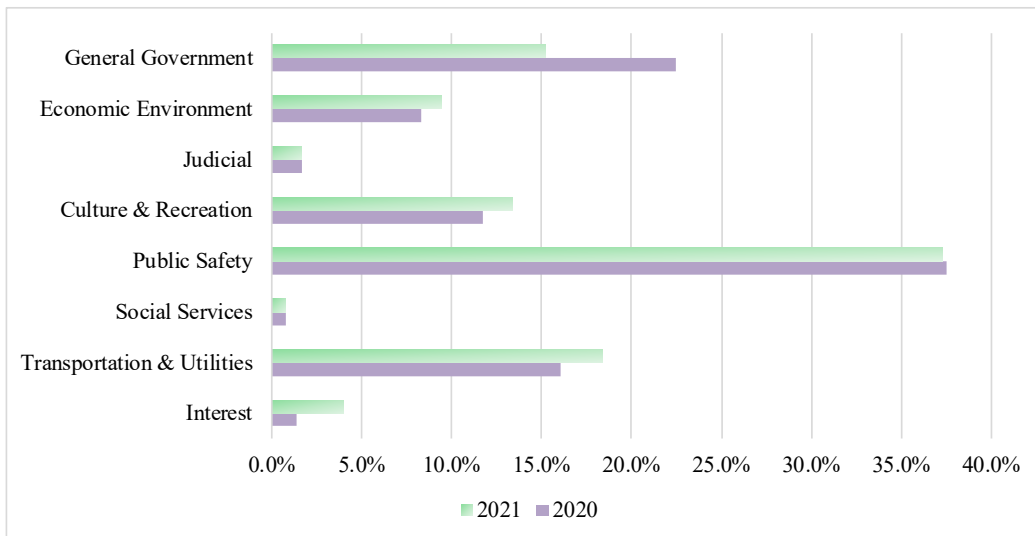
The capital grants and contributions for culture and recreation of \$1,816,159 included the following:

- Washington Recreation and Conservation Office - \$870,510
- Washington State Department of Transportation Grant – Scriber Creek - \$23,340
- Sound Transit Access Enhancement Funds - \$625,819
- Other Miscellaneous Revenues and Donations - \$296,490

It is noteworthy that program revenues cover 30.6% of governmental operating expenses, down from 34.8% a year ago. The taxpayers and the City’s other general governmental revenues cover the remaining 69.4% of the governmental expenses. As a result, the general economy and the success of City businesses have a major impact on the City’s revenue streams.

### GOVERNMENTAL ACTIVITIES - FUNCTIONAL EXPENSES

The chart below illustrates the cost of each of the City’s major governmental activities by function and related percentages of the total functional expenditures for 2021 and 2020:



Of the City’s governmental activities functions, 37.3% of the total costs relates to public safety in 2021 as compared to 37.5% in 2020. Public safety expenses decreased by \$2,300,896. The decrease is due to a reduction in various expenditures as a planned response to the COVID-19 budget impacts. Transportation & utilities expenses make up 18.3% of total costs in 2021 as compared to 16.1% in 2020. General government expenses make up 15.2% of total expenses as compared to 22.5% in 2020. General government expenses decreased by \$5,010,819 due to the one-time COVID grant funds expended in 2020. Culture & recreation expenses make up 13.3% of total costs in 2021 as compared with 11.7% in 2020. Culture and recreation expenses increased by \$129,457 due to increased operational expenditures related to the opening of the community center and increase in recreation programs due to returning to normal after COVID. Economic environment expenses make up 9.4% of total expenses as compared to 8.3% in 2020.

The following table presents the net cost of each of the City’s programs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City’s taxpayers by each of these functions for each of the past two years.

|                        | <b>Governmental Activities</b> |                      |                             |                      |
|------------------------|--------------------------------|----------------------|-----------------------------|----------------------|
|                        | <b>Total Cost of Services</b>  |                      | <b>Net Cost of Services</b> |                      |
|                        | <b>2021</b>                    | <b>2020</b>          | <b>2021</b>                 | <b>2020</b>          |
| General government     | \$ 7,764,908                   | \$ 12,775,727        | \$ 4,639,235                | \$ 5,368,361         |
| Economic environment   | 4,806,185                      | 4,738,876            | 520,125                     | 3,259,838            |
| Judicial               | 840,599                        | 949,133              | (393,508)                   | 182,120              |
| Culture and recreation | 6,812,909                      | 6,683,452            | (1,957,632)                 | 2,785,805            |
| Public safety          | 19,043,915                     | 21,344,811           | 14,335,609                  | 18,348,156           |
| Social services        | 397,114                        | 450,612              | 397,114                     | 450,612              |
| Transportation         | 9,325,059                      | 9,116,844            | (3,130,415)                 | 6,655,547            |
| Utilities              | 39,602                         | 38,390               | (570,223)                   | (766,952)            |
| Interest on debt       | 2,038,950                      | 791,059              | 2,038,950                   | 791,059              |
| <b>Total</b>           | <b>\$ 51,069,241</b>           | <b>\$ 56,888,904</b> | <b>\$ 15,879,255</b>        | <b>\$ 37,074,546</b> |

### BUSINESS-TYPE ACTIVITIES ANALYSIS

The City maintains two enterprise funds, each of these funds reported the following operating income for the last two calendar years:

| <b>Fund</b>               | <b>Operating Income</b> |                     | <b>%</b>      |
|---------------------------|-------------------------|---------------------|---------------|
|                           | <b>2021</b>             | <b>2020</b>         | <b>Change</b> |
| Water/sewer/storm utility | \$ 5,347,996            | \$ 4,887,382        | 9.42%         |
| Golf course               | 381,943                 | 321,322             | 18.87%        |
| <b>Total</b>              | <b>\$ 5,729,939</b>     | <b>\$ 5,208,704</b> | <b>10.01%</b> |

The following analysis is provided for the major enterprise funds.

**Sewer/Water/Storm Utility Fund** – Operating revenues increased \$780,867 or 3.2% in 2021 over 2020. Water charges for services increased \$480,000 or 6.7%. Sewer charges for services increased \$217,253 or 1.7%. Storm charges for services increased by \$96,384 or 2.3%. The increases are related to growth in the customer base.

Total operating expenses increased \$320,253 or 1.7% from the 2020 amount. At December 31, 2021, net position totals \$73,984,308. Of this amount, \$52,423,971 or 70.9% is invested in capital assets.

The various expenses changed from 2020 to 2021 as follows:

- Administration and general – water – increase of \$431,515 or 19.7%.
- Administration and general – sewer – increase of \$549,553 or 27.4%
- Administration and general – stormwater – decrease of \$178,991 or 23.9%
- Maintenance and operations – water – increase of 10,688 or 0.3%
- Maintenance and operations – sewer – decrease of 636,437 or 9.9%
- Maintenance and operations – stormwater - decrease of \$89,602 or 4.5%

Although there was significant fluctuation between these six categories, it is primarily due to the staff transfers between divisions and changes in allocated expenses. Overall, operating expenses increased by \$320,253 or 1.7%.

*Golf Course Fund* – Operating revenues increased \$233,806 or 14.2%, resulting in a record year. While indoor recreational opportunities were limited due to COVID-19 restrictions, the golf course was a popular destination for outdoor recreation.

Total operating expenses increased by \$173,185 or 13.1% over the 2020 amount. Operating income increased from \$321,322 in 2020 to \$381,943 in 2021.

As of December 31, 2021, the net position totaled \$3,758,357 compared with \$3,382,851 as of December 31, 2020.

### ***Financial Analysis of the City's Funds***

#### ***Governmental Funds***

As previously stated, governmental funds are reported in the fund statements with a focus on short-term inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$106,930,165 as compared to \$46,879,626 at December 31, 2020.

The restricted amount at December 31, 2021, was \$79,818,114, which includes \$1,232,632 for debt service, \$1,902,892 for criminal justice, \$62,962,632 for capital improvements, \$1,307,186 for transportation, \$798,229 for tourism, \$296,749 for drug enforcement, \$3,651,358 for streets, \$7,252,861 for parks and \$413,575 for a variety of other restrictions.

Governmental Funds have \$8.3 million of which \$6 million is committed, primarily for revenue fluctuations. The City Council passed a Resolution 2014 to reserve (commit) \$6 million in the Revenue Stabilization Fund, a managerial fund that is included in the General Fund to protect the City from major economic downturns or similar adverse conditions. The resolution also limits the use of these funds to those approved by Council. The Council approved a transfer from this fund at the end of 2020 to balance the General Fund due to the negative impacts COVID had on sales tax and recreation revenues. The action included a plan to fully restore the Revenue Stabilization Fund over the 2021-2022 biennium. The full transferred amount of \$1.13 million was returned to the Revenue Stabilization Fund in 2021.

Also, included in the General Fund is approximately \$9.8 million intended (assigned) to be spent on future economic development. These funds are included in the Economic Infrastructure Development fund, another managerial fund that is included in the General Fund.

The General Fund reports an unassigned amount of fund balance of \$8,941,578. This amount will be used for future one-time operating costs. The total ending fund balances of governmental funds show an increase of \$60.1 million compared to a decrease of \$1.2 million at December 31, 2020.

#### ***Major Governmental Funds***

***General Fund*** - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$4,760,997 or 23.8% in 2021, after interfund transfers to other funds. The difference between revenues and expenditures was \$9,760,545 before interfund transfers. Of the total \$4,999,548 transferred from the General Fund, \$1,656,516 was transferred to service debt, \$1,100,004 was transferred to fund capital projects, \$1,091,532 was transferred to the Street Operating Fund (Non-Major Special Revenue Fund) and \$26,496 was transferred to the Solid Waste Management fund (Non-Major Special Revenue Fund). Total transfers out were \$2,192,960 (78.1%) more than total transfers in 2020 due to an increase in transfers to capital project funds.

Total revenues increased by \$7,435,722 or 16.4% in 2021. The primary cause of this increase was the increase in 2021 sales tax revenues.

Permits and fees decreased \$155,140 or 2.8% from 2020 due to timing in how construction permit revenues are received as projects progress.

Intergovernmental revenues decreased by \$1,641,423 (51.1%) due to one-time CARES grant revenues received in 2020.

In 2021, total expenditures decreased by \$1,066,743 or 2.4% compared to 2020. The decrease is primarily due to a decrease in general government expenditures related to the expenditure of the CARES grant funds in 2020.

The City Council adopted updated Financial Management Policies in 2017. The new policies include a General Fund Reserve which requires the City to adopt a budget to include reserve balances equaling not less than 2.5 months of operating expenditures of the prior fiscal year. Reserves may consist of the total of the General Fund Unassigned Fund Balance and the Revenue Stabilization Fund balance. In November of 2020, the City Council passed a resolution authorizing the use of up to \$2.2 million in reserves to balance the General Fund and confirming that the 2021-2022 budget could have General Fund reserves under the 2.5 month minimum required in policy. At the time of 2021-2022 budget adoption, it was estimated that the draw-down on reserves would be less than \$2 million. The actual amount of transfer needed was only \$1.13 million. The General Fund had 2.2 months of operating reserves as of the end of 2020. The reserves were fully replenished in 2021. As of December 31, 2021, the City met the policy requirements for reserves as follows (2019 is being used as the base year due to lower-than-normal operating expenditures in 2020):

|                                  |                  |                      |
|----------------------------------|------------------|----------------------|
| 2019 General Fund Expenditures   |                  | <u>\$ 45,691,886</u> |
| Reserve Requirement (2.5 months) |                  | 9,519,143            |
| Reserves:                        |                  |                      |
| Revenue Stabilization Fund       | \$ 6,000,000     |                      |
| Unassigned Fund Balance          | <u>8,981,143</u> |                      |
| Total Reserve Balance            |                  | <u>14,981,143</u>    |
| Reserve Requirement Overage      |                  | <u>\$ 5,462,000</u>  |

**Transportation Capital Fund** – The Transportation Capital Fund is used to account for transportation related capital projects, which in 2021 included among others, 2017-2022 Pavement Preservation Project, the Poplar Way Extension Bridge, and 196th Street SW (SR524) Improvements. Revenues increased by \$5,719,646 from 2020 to 2021 due to an increase in the amount of grant funding received in 2021. Expenditures increased by \$11,315,305 from 2020 to 2021. Construction on the 196<sup>th</sup> Street SW Improvements project started in 2021. Fund balance increased by \$513,900, or 20.3%, from 2020 to 2021.

**Budgetary Highlights – General Fund**

The City adopts a biennial budget and combines both years together. The biennial budget is developed to guide the City’s financial direction. It outlines how financial resources will be managed during the biennial budget years while allowing for reallocation of resources. Major groups that participate in the budget process are the Mayor, City Council, Department directors, Managers, and interested Lynnwood community members. Appropriation of operating and capital funds are reviewed and amended as needed by the City Council. During 2021, the budget was amended once to include updated beginning and ending fund balance amounts, account for purchasing authority that needed to be carried forward from the prior year and reflect new grant revenues and an increase in anticipated sales tax revenues to cover expenditure authority for reinstated staff positions.

**Actual results compared to final budget**

Total General Fund revenues for the first year of the biennium were \$53 million or 47.74% of the amended budget of \$111 million. The amended budget includes \$5.4 million for interfund services revenues. In the financial statements, Interfund services were reclassified as a reduction of direct expenditures to the General Fund departments as opposed to revenues to the General Fund, so the actual interfund service revenue was zero. Adjusting for this amount, the General Fund revenues were 50.18% of the amended biennial budget.

Sales tax revenues, which represents 57.2% of the total budgeted General Fund revenues, totaled \$27.1 million for the year. Sales tax revenues in 2021 increased by \$6.1 million from 2020, an 28.9% increase. This is attributed to the reduction in sales activity that occurred when the COVID-19 pandemic first began in early 2020. Sales tax revenues recovered strongly as 2020 and 2021 progressed.

Property tax revenues totaled \$4.3 million or 8.05% of the actual revenues. Permit fee revenues were at 44.5% of budget.

Total General Fund expenditures were \$43.1 million or 42.08% of the amended biennial budget of \$102.5 million.

## ***Capital Assets and Debt Administration***

### ***Capital Assets***

The City's net book value of capital assets as of December 31, 2021, increased by 15% for governmental activities and increased by 11% in business-type activities. The overall increase was 13.5% for the City as a whole. See Note 3-D for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

At December 31, 2021, the depreciable capital assets for governmental activities were 53% depreciated. This compares with the December 31, 2020, percentage of 51%. For business-type activities, the percentage did not change from 43%.

At December 31, 2021, the major projects included in the governmental activities construction in progress include:

- Poplar Way Bridge Extension - \$4,492,412
- 196th Street SW Improvements - \$20,991,762
- Beech Road Improvements - \$514,960
- Scriber Creek Trail Improvements - \$1,351,968
- South Lynnwood Park Improvements - \$1,866,997
- Lynnwood Community Justice Center - \$8,220,890

The major additions to governmental activities machinery and equipment account include:

- 2020 Ford F550 Work Truck - \$181,110
- 2020 Ford F5G F550 - \$101,427
- 2021 John Deere Backhoe Loader - \$119,253
- 2021 EZ Liner Truck Mounted Striping Machine - \$185,955
- Axon Body Camera's - \$346,775
- Disaster Recovery Nutanix Server - \$155,617

Governmental activities land increased \$210,061 consisting primarily of:

- Right of way for Poplar Way Bridge Extension Project - \$181,846
- Easement for Criminal Justice Center Facility - \$28,216

At December 31, 2021, the major projects included in the business-type activities construction in progress include:

- Lift Station 8 Improvements - \$510,413
- WWTP Building Replacement - \$3,123,356
- WWTP Fire Protection System- \$1,250,539
- WWTP Odor Scrubber - \$2,031,358
- 60<sup>th</sup> Ave Sewer Repair - \$1,157,580
- 196<sup>th</sup> St Utility Improvements- \$4,032,979

At December 31, 2021, major projects completed:

- Lift Station 4 & 8 - \$5,578,755
- ADA Ramps & Sidewalks - \$618,610
- City Hall HVAC - \$913,611

The following table provides a summary of capital asset activity:

|                                   | Governmental Activities |                | Business-type Activities |               | Total          |                |
|-----------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
|                                   | 2021                    | 2020           | 2021                     | 2020          | 2021           | 2020           |
| Nondepreciable assets:            |                         |                |                          |               |                |                |
| Land                              | \$ 43,204,454           | \$ 43,022,609  | \$ 8,259,914             | \$ 8,259,914  | \$ 51,464,368  | \$ 51,282,523  |
| Easements                         | 480,898                 | 452,683        | 4,340,120                | 4,340,120     | 4,821,018      | 4,792,803      |
| Art, non-depreciable              | 128,219                 | 128,219        | -                        | -             | 128,219        | 128,219        |
| Construction in progress          | 39,830,629              | 14,558,402     | 12,896,070               | 8,392,475     | 52,726,699     | 22,950,877     |
| Total nondepreciable assets       | 83,644,200              | 58,161,913     | 25,496,104               | 20,992,509    | 109,140,304    | 79,154,422     |
| Depreciable assets:               |                         |                |                          |               |                |                |
| Buildings                         | 43,491,437              | 42,577,827     | 34,838,900               | 34,447,324    | 78,330,337     | 77,025,151     |
| Improvements other than buildings | 23,751,879              | 23,168,319     | 2,788,273                | 2,774,233     | 26,540,152     | 25,942,552     |
| Machinery and equipment           | 20,232,505              | 19,131,416     | 4,922,031                | 4,948,715     | 25,154,536     | 24,080,131     |
| Infrastructure                    | 105,520,152             | 105,483,202    | 92,738,177               | 84,491,163    | 198,258,329    | 189,974,365    |
| Total depreciable assets          | 192,995,973             | 190,360,764    | 135,287,381              | 126,661,435   | 328,283,354    | 317,022,199    |
| Total accumulated depreciation    | 102,929,554             | 97,452,902     | 57,798,977               | 54,906,295    | 160,728,531    | 152,359,197    |
| Book value - depreciable assets   | 90,066,419              | 92,907,862     | 77,488,404               | 71,755,140    | 167,554,823    | 164,663,002    |
| Percentage depreciated            | 53%                     | 51%            | 43%                      | 43%           | 49%            | 48%            |
| Book value - all assets           | \$ 173,710,619          | \$ 151,069,775 | \$ 102,984,508           | \$ 92,747,649 | \$ 276,695,127 | \$ 243,817,424 |

### *Long-Term Liabilities*

The following table reports outstanding long-term liabilities at both December 31, 2021, and 2020:

|                          | Governmental Activities |               | Business-type Activities |               | Totals         |               |
|--------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|
|                          | 2021                    | 2020          | 2021                     | 2020          | 2021           | 2020          |
| General obligation bonds | \$ 79,756,735           | \$ 20,415,000 | \$ -                     | \$ -          | \$ 79,756,735  | \$ 20,415,000 |
| Revenue bonds            | -                       | -             | 45,565,508               | 47,567,335    | 45,565,508     | 47,567,335    |
| Subtotal                 | 79,756,735              | 20,415,000    | 45,565,508               | 47,567,335    | 125,322,243    | 67,982,335    |
| Net pension liability    | 2,607,815               | 6,516,674     | 316,257                  | 1,352,828     | 2,924,072      | 7,869,502     |
| OPEB - LEOFF 1-Police    | 10,893,334              | 10,668,568    | -                        | -             | 10,893,334     | 10,668,568    |
| Claims and judgements    | 224,620                 | 157,097       | -                        | -             | 224,620        | 157,097       |
| Compensated absences     | 4,590,588               | 3,567,395     | 747,085                  | 576,050       | 5,337,673      | 4,143,445     |
| Total                    | \$ 98,073,092           | \$ 41,324,734 | \$ 46,628,850            | \$ 49,496,213 | \$ 144,701,942 | \$ 90,820,947 |

In a report issued on May 26, 2021, Standard & Poor's (S&P) assigned its 'AA+' Rating to the city's 2021 Limited Term General Obligation (LTGO) bonds that Council authorized on March 22, 2021. The only rating higher is 'AAA' which few municipalities have achieved. S & P also affirmed its 'AA+' long-term rating on the City's outstanding bonds.

S & P assigned the city an 'AA+' rating with a stable outlook. It also notes the city has strong financial management practices. Additional factors referenced in the report:

- Very strong economy within a broad and diverse metropolitan statistical area,
- Strong management with good financial policies and practices,
- Very strong budgetary flexibility and adequate budgetary performance,
- Very strong cash balances and low debt liability

The 'AA+' Bond Rating, which is an extraordinary achievement for the City, is a positive reflection of the City's effectiveness in managing its financial resources during one of the most difficult economic times in several generations.

On June 24, 2021, the City issued 30-year Limited Tax General Obligation Bonds for constructing the City's Community Justice Center (CJC) in the amount of \$49,315,000. Annual principal payments range from \$965,000 to \$2,870,000, with interest varying from 4% to 5%, paid semi-annually. The final principal and interest payment is scheduled for 2050.

Detailed information on long term debt liabilities at year-end is presented in Note 3-G to the Financial Statements.

### ***Economic Conditions Affecting the City***

***COVID 19*** –The Mayor of the City of Lynnwood issued an Emergency Proclamation in response to the COVID-19 public health crisis in March of 2020. The General Fund was negatively impacted by reduced sales tax and recreation revenues. Expenditure reduction measures and a one-time transfer from the Revenue Stabilization Fund to the General Fund was authorized to balance revenues and expenditures at the end of 2020. Throughout 2021, sales tax revenues returned to pre-pandemic levels and exceeded budgeted amounts. The balance of the Revenue Stabilization Fund was fully restored in 2021.

The City of Lynnwood was allocated \$10.9 million in Coronavirus State and Local Fiscal Recovery Funds through the American Rescue Plan Act. Half of the funding was received in June 2021 with the other half expected twelve months later in 2022.

For additional information see Note 5, Other Disclosures.

***Financial Stability*** – The City's financial condition is strong because: a) The Mayor and City Council are diligent in ensuring that expenditures do not exceed revenues; b) the Puget Sound region is experiencing growth in both population and household income; c) Lynnwood utilizes stringent financial policies and best practices under the guidance of the City Council's Finance Committee; d) during 2017, voters approved the formation of a Regional Fire Authority (RFA) that consolidated the Lynnwood Fire Department with Snohomish County Fire District 1, and thereby removed the City's second-largest department (in dollars) from the City's budget; and e) the planned 2024 arrival of light rail service to Lynnwood, provided by Sound Transit (Puget Sound's regional transit agency) has fueled construction of midrise buildings here.

Following voter approval of the RFA, the Lynnwood City Council approved a lower property tax levy for 2018 that reflected the net savings created by the RFA. The property tax levy for 2021 continued that approach with an incremental increase over the 2020 levy. If the need were to arise, the City Council has the ability to significantly increase property tax revenue without voter approval through banked capacity.

Sound Transit's Lynnwood Link light rail, scheduled to begin service in 2024, is also fueling Lynnwood's strong real estate market. To optimize available revenues, the City continues to proactively pursue and obtain state and federal funding to expand the capacity of municipal infrastructure. This includes streets, parks, sidewalks, facilities, utilities, and open space. A portion of the City (including the vicinity of the new light rail transit station) has been designated as an Opportunity Zone and this is another incentive for new investment in Lynnwood.

***Economic Development*** – The City's Community Vision adopted by City Council in 2009 and reaffirmed in 2015 calls for a vibrant community. Issue-specific plans prepared by the City identify programs and projects that implement this Vision Statement and accommodate population employment growth projected for the next 20 years. Updates in 2015 to the City's Comprehensive Plan and Economic Development Action Plan incorporated implementation activities to achieve economic

development goals. The City's attributes of geographic location, ease of access, emerging light rail service, and economic prominence supports sustained economic vitality. These plans are both being updated in 2022.

Population and employment growth within the City reflect steady progress towards implementing the community's vision as a designated Regional Growth Area (per Puget Sound Regional Council's Vision 2040 Plan). Lynnwood has many auto dealerships and sale activity continues to be strong. Lynnwood's Alderwood Mall is evolving to remain a premier destination in an age of online retail. At the Mall, legacy retail structures are being replaced by a "lifestyle center" of shops, restaurants, and multifamily homes. The 2019 closure of Seattle's Northgate Mall (America's first indoor mall) significantly increased the size of Alderwood Mall's market area. Property tax revenues remain steadfast as assessed property value increases year-over-year. For 2021, the Snohomish County Assessor reports an increase of \$9.2 billion in total assessed valuation over 2020.

Economic vitality is also evident in the diversity of the economy in the City area. Private sector employment includes aerospace, biosciences, information technologies, electronics, finance/insurance/real estate, healthcare, and professional services. Public sector employment includes the administrative offices of the Edmonds School District, Edmonds Community College, and the City.

Development of the Lynnwood City Center, withing the Lynnwood Regional Growth Center, is a key component of Lynnwood's economic future. In 2021, City Center saw the completion of the Kinect @ Lynnwood project bringing 239 units to market. Construction progress continued at Lynnwood City Center Station for light rail service in 2024 and the City celebrated a groundbreaking for the Ember Apartments for development of 361 units and 9,000 square feet of commercial space. With mid-rise buildings over structured parking, this type of development will create a compact, walkable, urban environment as called for by City Center plans.

To support this private investment, street projects have moved forward in the City Center with 196<sup>th</sup> St. SW (SR 524) and 36<sup>th</sup> Ave W receiving funding for widening and streetscape improvements; and 42<sup>nd</sup> Ave W received funding for initial design. Site work for the Sound Transit Lynnwood Link Light Rail began in 2019 after considerable planning and engineering work throughout 2018. Pedestrian/bicycle trails near the transit center will be upgraded to support non-motorized access to the light rail service. These projects address the community vision for a multi-modal transportation network. The City continues to spend to keep its infrastructure in good shape and is moving forward with capital projects as budgeted.

### ***Contacting the City's Financial Management***

We designed this financial report to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact:

Finance Director  
City of Lynnwood  
19100 44<sup>th</sup> Ave W  
Lynnwood, WA 98036  
425-670-5154



City of Lynnwood, Washington  
Statement of Net Position  
December 31, 2021

|   | Primary Government         |                             |                       | Component<br>Units  |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |                     |
| <b>Assets</b>   |                            |                             |                       |                     |
| <b>Current Assets</b>   |                            |                             |                       |                     |
| Cash and cash equivalents (Note 3-A)                              | \$ 86,108,886              | \$ 11,155,850               | \$ 97,264,736         | \$ 6,985,706        |
| Restricted assets: cash and cash equivalents                      | -                          | -                           | -                     | 1,045,757           |
| Investments (Note 3-A)  | 22,060,849                 | 2,507,914                   | 24,568,763            | 2,044,251           |
| Receivables:  |                            |                             |                       |                     |
| Accounts  | 3,940,278                  | 10,458,253                  | 14,398,531            | 881,951             |
| Taxes   | 7,573,614                  | -                           | 7,573,614             | -                   |
| Intergovernmental   | 8,765,815                  | -                           | 8,765,815             | -                   |
| Internal  | (404,757)                  | 404,757                     | -                     | -                   |
| Prepaid items   | 74,110                     | 76,599                      | 150,709               | 64,391              |
| Inventory   | -                          | 24,866                      | 24,866                | 14,085              |
| <b>Total Current Assets</b>                                       | <b>128,118,795</b>         | <b>24,628,239</b>           | <b>152,747,034</b>    | <b>11,036,141</b>   |
| <b>Noncurrent Assets</b>  |                            |                             |                       |                     |
| Investment in joint venture                                       | 1,140,754                  | -                           | 1,140,754             | -                   |
| Net pension assets  | 29,070,847                 | 3,082,818                   | 32,153,665            | 174,428             |
| Restricted assets: cash and cash equivalents                      | -                          | 43,921                      | 43,921                | -                   |
| Note receivable   | -                          | 61,322                      | 61,322                | -                   |
| Internal receivable   | 852,000                    | (852,000)                   | -                     | -                   |
| Capital assets (Note 3-D)   |                            |                             |                       |                     |
| Nondepreciable  | 83,644,200                 | 25,496,104                  | 109,140,304           | 6,815,344           |
| Depreciable, net  | 90,066,419                 | 77,488,404                  | 167,554,823           | 14,386,097          |
| <b>Total Noncurrent Assets</b>                                    | <b>204,774,220</b>         | <b>105,320,569</b>          | <b>310,094,789</b>    | <b>21,375,869</b>   |
| <b>Total Assets</b>   | <b>332,893,015</b>         | <b>129,948,808</b>          | <b>462,841,823</b>    | <b>32,412,010</b>   |
| <b>Deferred Outflows of Resources</b>                             |                            |                             |                       |                     |
| Deferred Outflows-loss on refunding                               | -                          | -                           | -                     | 20,604              |
| Deferred Outflows - OPEB  | 227,652                    | -                           | 227,652               | -                   |
| Deferred Outflows of Resources-Pensions                           | 5,236,107                  | 399,154                     | 5,635,261             | 24,311              |
| <b>Total Deferred Outflows of Resources</b>                       | <b>5,463,759</b>           | <b>399,154</b>              | <b>5,862,913</b>      | <b>44,915</b>       |
| <b>Liabilities</b>  |                            |                             |                       |                     |
| <b>Current Liabilities</b>  |                            |                             |                       |                     |
| Accounts payable  | 5,406,488                  | 1,738,730                   | 7,145,218             | 169,846             |
| Accrued expenses  | 1,048,883                  | 130,830                     | 1,179,713             | 79,020              |
| Retainage payable   | -                          | 15,894                      | 15,894                | -                   |
| Deposits payable  | -                          | 25,135                      | 25,135                | 416,920             |
| Custodial accounts payable  | -                          | 5,301                       | 5,301                 | -                   |
| Compensated absences payable                                      | 3,217,580                  | 521,723                     | 3,739,303             | 11,543              |
| Unearned revenue  | 5,403,591                  | 18,786                      | 5,422,377             | -                   |
| Accrued interest  | 228,480                    | 134,449                     | 362,929               | -                   |
| Total OPEB liability - current portion                            | 455,304                    | -                           | 455,304               | -                   |
| General obligation bonds payable                                  | 930,000                    | -                           | 930,000               | 1,108,300           |
| Revenue bonds payable   | -                          | 2,486,828                   | 2,486,828             | 1,038,358           |
| <b>Total Current Liabilities</b>                                  | <b>16,690,326</b>          | <b>5,077,676</b>            | <b>21,768,002</b>     | <b>2,823,987</b>    |
| <b>Long-Term Liabilities (net of current portion): (Note 3-F)</b> |                            |                             |                       |                     |
| Deposits payable  | -                          | -                           | -                     | 45,757              |
| Compensated absences payable                                      | 1,373,008                  | 225,362                     | 1,598,370             | 11,543              |
| Claims and judgments payable                                      | 224,620                    | -                           | 224,620               | -                   |
| Total OPEB liability  | 10,438,030                 | -                           | 10,438,030            | 64,117              |
| Net pension liability   | 2,607,815                  | 316,257                     | 2,924,072             | 16,634              |
| Environmental remediation   | -                          | -                           | -                     | 5,619,992           |
| General obligation bonds payable                                  | 78,826,735                 | -                           | 78,826,735            | 3,308,200           |
| Revenue bonds payable, net of premiums/discounts                  | -                          | 43,078,680                  | 43,078,680            | 12,530,297          |
| <b>Total Long-term Liabilities</b>                                | <b>93,470,208</b>          | <b>43,620,299</b>           | <b>137,090,507</b>    | <b>21,596,540</b>   |
| <b>Total Liabilities</b>  | <b>110,160,534</b>         | <b>48,697,975</b>           | <b>158,858,509</b>    | <b>24,420,527</b>   |
| <b>Deferred Inflows of Resources</b>                              |                            |                             |                       |                     |
| Deferred Inflows of Resources-Gain on refunding                   | -                          | 115,274                     | 115,274               | 23,100              |
| Deferred Inflows of Resources-Pensions                            | 22,115,450                 | 3,254,291                   | 25,369,741            | 191,321             |
| <b>Total Deferred Inflows of Resources</b>                        | <b>22,115,450</b>          | <b>3,369,565</b>            | <b>25,485,015</b>     | <b>214,421</b>      |
| <b>Net Position</b>   |                            |                             |                       |                     |
| Net investment in capital assets (Note 3-J)                       | 147,752,563                | 56,693,418                  | 204,445,981           | 3,213,790           |
| Restricted for:   |                            |                             |                       |                     |
| Debt service  | 1,232,632                  | 299,133                     | 1,531,765             | 1,000,000           |
| Capital outlay  | 9,163,953                  | -                           | 9,163,953             | -                   |
| Criminal justice  | 1,902,892                  | -                           | 1,902,892             | -                   |
| Tourism   | 798,229                    | -                           | 798,229               | -                   |
| Drug enforcement  | 296,749                    | -                           | 296,749               | -                   |
| Other purposes  | 7,666,436                  | -                           | 7,666,436             | -                   |
| Streets   | 4,958,544                  | -                           | 4,958,544             | -                   |
| Pension asset   | 13,289,990                 | 498,411                     | 13,788,401            | 20,222              |
| Unrestricted  | 19,018,802                 | 20,789,460                  | 39,808,262            | 3,587,966           |
| <b>Total Net Position</b>   | <b>\$ 206,080,790</b>      | <b>\$ 78,280,422</b>        | <b>\$ 284,361,212</b> | <b>\$ 7,821,978</b> |

See accompanying notes to the basic financial statements

City of Lynnwood, Washington  
Statement of Activities  
For the Year Ended December 31, 2021

| Function/Program                             | Program Revenues  |                                |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       | Component Unit      |
|--|-------------------|--------------------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|---------------------|
|  | Expenses          | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                       |                     |
|  |                   |                                |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total                 |                     |
| <b>Primary Government</b>                    |                   |                                |                                    |                                  |   |                          |                       |                     |
| <b>Governmental Activities</b>               |                   |                                |                                    |                                  |   |                          |                       |                     |
| General government                           | \$ 7,764,908      | \$ 2,471,603                   | \$ 654,070                         | \$ -                             | \$ (4,639,235)                                    | \$ -                     | \$ (4,639,235)        | \$ -                |
| Economic environment                         | 4,806,185         | 3,771,576                      | 514,484                            | -                                | (520,125)   | -                        | (520,125)             | -                   |
| Judicial                                     | 840,599           | 1,227,731                      | 6,376                              | -                                | 393,508   | -                        | 393,508               | -                   |
| Culture and recreation                       | 6,812,909         | 6,933,899                      | 20,483                             | 1,816,159                        | 1,957,632   | -                        | 1,957,632             | -                   |
| Public safety                                | 19,043,915        | 4,152,383                      | 555,923                            | -                                | (14,335,609)                                      | -                        | (14,335,609)          | -                   |
| Social services                              | 397,114           | -                              | -                                  | -                                | (397,114)   | -                        | (397,114)             | -                   |
| Transportation                               | 9,325,059         | 1,545,000                      | 836,391                            | 10,074,083                       | 3,130,415   | -                        | 3,130,415             | -                   |
| Utilities                                    | 39,602            | 601,255                        | 8,570                              | -                                | 570,223   | -                        | 570,223               | -                   |
| Interest                                     | 2,038,950         | -                              | -                                  | -                                | (2,038,950)                                       | -                        | (2,038,950)           | -                   |
| <b>Total Governmental Activities</b>         | <b>51,069,241</b> | <b>20,703,447</b>              | <b>2,596,297</b>                   | <b>11,890,242</b>                | <b>(15,879,255)</b>                               | <b>-</b>                 | <b>(15,879,255)</b>   | <b>-</b>            |
| <b>Business-Type Activities:</b>             |                   |                                |                                    |                                  |   |                          |                       |                     |
| Water and Sewer Utility                      | 20,935,360        | 25,025,415                     | 367,388                            | 810,004                          | -   | 5,267,447                | 5,267,447             | -                   |
| Golf Course                                  | 1,499,272         | 1,881,916                      | -                                  | -                                | -   | 382,644                  | 382,644               | -                   |
| <b>Total Business-Type Activities</b>        | <b>22,434,632</b> | <b>26,907,331</b>              | <b>367,388</b>                     | <b>810,004</b>                   | <b>-</b>  | <b>5,650,091</b>         | <b>5,650,091</b>      | <b>-</b>            |
| <b>Total - Primary Government</b>            | <b>73,503,873</b> | <b>47,610,778</b>              | <b>2,963,685</b>                   | <b>12,700,246</b>                | <b>(15,879,255)</b>                               | <b>5,650,091</b>         | <b>(10,229,164)</b>   | <b>-</b>            |
| <b>Component Units</b>                       |                   |                                |                                    |                                  |   |                          |                       |                     |
| Lynnwood Public Facilities District          | \$ 4,410,442      | \$ 2,146,911                   | \$ 171,934                         | \$ -                             |   |                          |                       | \$ (2,091,597)      |
| <b>General Revenues</b>                      |                   |                                |                                    |                                  |   |                          |                       |                     |
| Property taxes                               |                   |                                |                                    |                                  | 4,233,938   |                          | 4,233,938             |                     |
| Sales taxes                                  |                   |                                |                                    |                                  | 31,425,145  |                          | 31,425,145            | 2,336,416           |
| Utility taxes                                |                   |                                |                                    |                                  | 5,783,178   |                          | 5,783,178             |                     |
| Real estate transfer taxes                   |                   |                                |                                    |                                  | 2,576,308   |                          | 2,576,308             |                     |
| Excise taxes                                 |                   |                                |                                    |                                  | 1,153,679   |                          | 1,153,679             | 1,384,573           |
| Transportation benefit district vehicle fees |                   |                                |                                    |                                  | 1,093,135   |                          | 1,093,135             |                     |
| Admissions taxes                             |                   |                                |                                    |                                  | 312,687   |                          | 312,687               |                     |
| Gambling taxes                               |                   |                                |                                    |                                  | 214,438   |                          | 214,438               |                     |
| Investment earnings (losses)                 |                   |                                |                                    |                                  | (164,813)   | 52,996                   | (111,817)             | 7,322               |
| Gain on disposition of capital assets        |                   |                                |                                    |                                  | 253,425   |                          | 253,425               |                     |
| Miscellaneous                                |                   |                                |                                    |                                  | 194,783   |                          | 194,783               | 25,407              |
| <b>Transfers</b>                             |                   |                                |                                    |                                  | <b>88,725</b>                                     | <b>(88,725)</b>          | <b>-</b>              | <b>-</b>            |
| <b>Total General Revenues and Transfers</b>  |                   |                                |                                    |                                  | <b>47,164,628</b>                                 | <b>(35,729)</b>          | <b>47,128,899</b>     | <b>3,753,718</b>    |
| <b>Change in Net Position</b>                |                   |                                |                                    |                                  | <b>31,285,373</b>                                 | <b>5,614,362</b>         | <b>36,899,735</b>     | <b>1,662,121</b>    |
| <b>Net Position Beginning of Year</b>        |                   |                                |                                    |                                  | <b>174,706,451</b>                                | <b>72,755,026</b>        | <b>247,461,477</b>    | <b>6,803,304</b>    |
| <b>Prior Period Adjustments - Note 4-F</b>   |                   |                                |                                    |                                  | <b>88,966</b>                                     | <b>(88,966)</b>          | <b>-</b>              | <b>(643,447)</b>    |
| <b>Net Position End of Year</b>              |                   |                                |                                    |                                  | <b>\$ 206,080,790</b>                             | <b>\$ 78,280,422</b>     | <b>\$ 284,361,212</b> | <b>\$ 7,821,978</b> |

See accompanying notes to the basic financial statements

City of Lynnwood, Washington  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2021*

|  | General              | Transportation<br>Capital | Public Safety<br>Capital | American<br>Rescue Plan<br>Act Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------------|--------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                           |                          |                                     |                                |                                |
| Cash and cash equivalents  | \$ 10,948,782        | \$ 10,466                 | \$ 56,807,469            | \$ 5,053,831                        | \$ 11,249,235                  | \$ 84,069,783                  |
| Investments  | 7,506,768            | 33,986                    | -                        | -                                   | 11,894,534                     | 19,435,288                     |
| Receivables:   |                      |                           |                          |                                     |                                |                                |
| Accounts   | 3,702,915            | 68,707                    | -                        | -                                   | 168,656                        | 3,940,278                      |
| Taxes  | 6,239,273            | -                         | -                        | -                                   | 1,121,577                      | 7,360,850                      |
| Other taxes  | 212,764              | -                         | -                        | -                                   | -                              | 212,764                        |
| Intergovernmental  | 227,017              | 6,768,899                 | -                        | -                                   | 1,534,117                      | 8,530,033                      |
| Interfund  | 985,000              | -                         | -                        | -                                   | -                              | 985,000                        |
| Prepaid  | 39,564               | -                         | -                        | -                                   | -                              | 39,564                         |
| <b>Total Assets</b>  | <b>\$ 29,862,083</b> | <b>\$ 6,882,058</b>       | <b>\$ 56,807,469</b>     | <b>\$ 5,053,831</b>                 | <b>\$ 25,968,119</b>           | <b>\$ 124,573,560</b>          |
| <b>Liabilities</b>   |                      |                           |                          |                                     |                                |                                |
| Accounts payable   | \$ 846,421           | \$ 2,108,139              | \$ 1,227,634             | \$ -                                | \$ 1,143,816                   | \$ 5,326,010                   |
| Accrued salaries and wages payable   | 705,457              | 1,690                     | -                        | 1,002                               | 34,567                         | 742,716                        |
| Unearned revenue   | 265,752              | -                         | -                        | 5,052,829                           | 85,010                         | 5,403,591                      |
| Other current liabilities payable  | 198,191              | -                         | -                        | -                                   | 90,312                         | 288,503                        |
| <b>Total Liabilities</b>   | <b>2,015,821</b>     | <b>2,109,829</b>          | <b>1,227,634</b>         | <b>5,053,831</b>                    | <b>1,353,705</b>               | <b>11,760,820</b>              |
| <b>Deferred Inflows of Resources</b>                                       |                      |                           |                          |                                     |                                |                                |
| Deferred Inflows of Resources - property tax                               | 50,158               | -                         | -                        | -                                   | -                              | 50,158                         |
| Deferred Inflows of Resources - grants                                     | 792                  | 1,726,968                 | -                        | -                                   | 978,109                        | 2,705,869                      |
| Deferred Inflows of Resources - municipal court                            | 1,809,611            | -                         | -                        | -                                   | -                              | 1,809,611                      |
| Deferred Inflows of Resources - red-light photo                            | 1,068,781            | -                         | -                        | -                                   | -                              | 1,068,781                      |
| Deferred Inflows of Resources - other                                      | 117,231              | -                         | -                        | -                                   | 130,925                        | 248,156                        |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>3,046,573</b>     | <b>1,726,968</b>          | <b>-</b>                 | <b>-</b>                            | <b>1,109,034</b>               | <b>5,882,575</b>               |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                 | <b>5,062,394</b>     | <b>3,836,797</b>          | <b>1,227,634</b>         | <b>5,053,831</b>                    | <b>2,462,739</b>               | <b>17,643,395</b>              |
| <b>Fund Balances</b>   |                      |                           |                          |                                     |                                |                                |
| Nonspendable   | 39,564               | -                         | -                        | -                                   | -                              | 39,564                         |
| Restricted   | -                    | 3,045,261                 | 55,579,835               | -                                   | 21,193,018                     | 79,818,114                     |
| Committed  | 6,000,000            | -                         | -                        | -                                   | 2,312,362                      | 8,312,362                      |
| Assigned   | 9,818,547            | -                         | -                        | -                                   | -                              | 9,818,547                      |
| Unassigned   | 8,941,578            | -                         | -                        | -                                   | -                              | 8,941,578                      |
| <b>Total Fund Balances</b>   | <b>24,799,689</b>    | <b>3,045,261</b>          | <b>55,579,835</b>        | <b>-</b>                            | <b>23,505,380</b>              | <b>106,930,165</b>             |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 29,862,083</b> | <b>\$ 6,882,058</b>       | <b>\$ 56,807,469</b>     | <b>\$ 5,053,831</b>                 | <b>\$ 25,968,119</b>           | <b>\$ 124,573,560</b>          |

See accompanying notes to the basic financial statements

**City of Lynnwood, Washington**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**December 31, 2021**

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|   |    |             |
|---|----|-------------|
| <b>Total Governmental Fund Balances</b> | \$ | 106,930,165 |
|---|----|-------------|

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (exclusive of internal service funds' capital assets).

|                               |    |                     |             |
|-------------------------------|----|---------------------|-------------|
| Cost of capital assets        | \$ | 261,363,821         |             |
| Less accumulated depreciation |    | <u>(95,103,812)</u> | 166,260,009 |

|  |  |           |
|--|--|-----------|
| The investment in joint ventures is not reported at the fund financial reporting level but is reported on the government-wide statement of net position. |  | 1,140,754 |
|--|--|-----------|

|   |  |           |
|---|--|-----------|
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds - property taxes, grants and fines. |  | 5,882,575 |
|---|--|-----------|

|   |  |              |
|---|--|--------------|
| Deferred inflows and outflows for pensions reported on the government-wide statement of position but not reported on the governmental fund balance sheet. |  | (16,517,445) |
|---|--|--------------|

|  |  |         |
|--|--|---------|
| Deferred outflows for OPEB reported on the government-wide statement of net position but not reported on the government balance sheet. |  | 227,652 |
|--|--|---------|

|   |  |            |
|---|--|------------|
| The net pension assets are not available to retire current year expenditures, therefore they are not reported in the funds but are reported in the government-wide statement of net position. |  | 28,680,089 |
|---|--|------------|

|  |  |            |
|--|--|------------|
| The internal service fund is used by management to charge the costs of the equipment rental to individual funds. The assets and liabilities of the internal service funds are included in governmental activities column on the government-wide statement of net position. |  | 11,953,919 |
|--|--|------------|

|  |  |           |
|--|--|-----------|
| The internal service fund chargeback to enterprise funds is not reported in the governmental funds, but is reported on the government-wide financial statements. |  | (537,757) |
|--|--|-----------|

Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position (excludes internal service funds).

|  |    |                    |                     |
|--|----|--------------------|---------------------|
| General obligation refunding bonds payable | \$ | (79,756,735)       |                     |
| Accrued interest payable                   |    | (228,480)          |                     |
| Other postemployment benefits payable      |    | (10,893,334)       |                     |
| Net pension liability payable              |    | (2,567,728)        |                     |
| Compensated absences payable               |    | <u>(4,492,894)</u> |                     |
|  |    |                    | <u>(97,939,171)</u> |

|  |           |                           |
|--|-----------|---------------------------|
| <b>Net Position Of Governmental Activities</b> | <b>\$</b> | <b><u>206,080,790</u></b> |
|--|-----------|---------------------------|

See accompanying notes to the basic financial statements

City of Lynnwood, Washington  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2021

|  | General              | Transportation<br>Capital | Public Safety<br>Capital | American<br>Rescue Plan<br>Act Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------------|--------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                      |                           |                          |                                     |                                |                                |
| Taxes  | \$ 37,681,890        | \$ -                      | \$ -                     | \$ -                                | \$ 8,540,661                   | \$ 46,222,551                  |
| Intergovernmental  | 1,567,874            | 8,310,521                 | -                        | 415,572                             | 1,739,714                      | 12,033,681                     |
| Licenses and permits   | 5,301,448            | -                         | -                        | -                                   | 100,087                        | 5,401,535                      |
| Charges for services   | 2,995,048            | -                         | -                        | -                                   | 6,562,918                      | 9,557,966                      |
| Fines and forfeitures  | 4,895,690            | -                         | -                        | -                                   | 4,619                          | 4,900,309                      |
| Investment earnings  | (57,153)             | 2,520                     | 94,011                   | -                                   | (157,370)                      | (117,992)                      |
| Rent and leases  | 359,193              | -                         | -                        | -                                   | -                              | 359,193                        |
| Miscellaneous  | 149,683              | 36,950                    | -                        | -                                   | 366,090                        | 552,723                        |
| <b>Total Revenues</b>  | <u>52,893,673</u>    | <u>8,349,991</u>          | <u>94,011</u>            | <u>415,572</u>                      | <u>17,156,719</u>              | <u>78,909,966</u>              |
| <b>Expenditures</b>  |                      |                           |                          |                                     |                                |                                |
| <b>Current:</b>  |                      |                           |                          |                                     |                                |                                |
| General government   | 8,296,507            | -                         | -                        | 68,797                              | 252,563                        | 8,617,867                      |
| Economic Environment   | 4,776,441            | -                         | -                        | -                                   | 738,263                        | 5,514,704                      |
| Judicial   | 983,429              | -                         | -                        | -                                   | -                              | 983,429                        |
| Culture and recreation   | 6,562,606            | -                         | -                        | -                                   | 299,767                        | 6,862,373                      |
| Public safety  | 20,548,084           | -                         | -                        | -                                   | 347,153                        | 20,895,237                     |
| Social services  | 397,114              | -                         | -                        | -                                   | -                              | 397,114                        |
| Transportation   | 1,481,140            | 2,637,113                 | -                        | -                                   | 2,582,922                      | 6,701,175                      |
| Utilities  | -                    | -                         | -                        | -                                   | 27,202                         | 27,202                         |
| <b>Capital Outlay</b>  | 87,807               | 16,662,730                | 5,788,686                | 346,775                             | 3,530,850                      | 26,416,848                     |
| <b>Debt Service:</b>   |                      |                           |                          |                                     |                                |                                |
| Principal retirement   | -                    | -                         | -                        | -                                   | 895,000                        | 895,000                        |
| Interest and fiscal charges  | -                    | -                         | -                        | -                                   | 1,640,790                      | 1,640,790                      |
| <b>Total Expenditures</b>  | <u>43,133,128</u>    | <u>19,299,843</u>         | <u>5,788,686</u>         | <u>415,572</u>                      | <u>10,314,510</u>              | <u>78,951,739</u>              |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>9,760,545</u>     | <u>(10,949,852)</u>       | <u>(5,694,675)</u>       | <u>-</u>                            | <u>6,842,209</u>               | <u>(41,773)</u>                |
| <b>Other Financing Sources (Uses)</b>                                |                      |                           |                          |                                     |                                |                                |
| GO Bond Proceeds   | -                    | -                         | 49,315,000               | -                                   | -                              | 49,315,000                     |
| Premium on GO Bonds  | -                    | -                         | 10,921,735               | -                                   | -                              | 10,921,735                     |
| Debt issue costs   | -                    | -                         | (233,148)                | -                                   | -                              | (233,148)                      |
| Transfers in   | -                    | 11,463,752                | 1,308,000                | -                                   | 8,547,685                      | 21,319,437                     |
| Transfers out  | (4,999,548)          | -                         | (510,233)                | -                                   | (15,720,931)                   | (21,230,712)                   |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>(4,999,548)</u>   | <u>11,463,752</u>         | <u>60,801,354</u>        | <u>-</u>                            | <u>(7,173,246)</u>             | <u>60,092,312</u>              |
| <b>Net Change in Fund Balances</b>                                   | 4,760,997            | 513,900                   | 55,106,679               | -                                   | (331,037)                      | 60,050,539                     |
| <b>Fund Balances Beginning of Year</b>                               | <u>20,038,692</u>    | <u>2,531,361</u>          | <u>473,156</u>           | <u>-</u>                            | <u>23,836,417</u>              | <u>46,879,626</u>              |
| <b>Prior Period Adjustment</b>                                       | -                    | -                         | -                        | -                                   | -                              | -                              |
| <b>Fund Balances End of Year</b>                                     | <u>\$ 24,799,689</u> | <u>\$ 3,045,261</u>       | <u>\$ 55,579,835</u>     | <u>\$ -</u>                         | <u>\$ 23,505,380</u>           | <u>\$ 106,930,165</u>          |

See accompanying notes to the basic financial statements

**City of Lynnwood, Washington**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2021**

|  |                |                                 |
|--|----------------|---------------------------------|
| <b>Net Changes In Fund Balances - Total Governmental Funds</b>   |                | <b>\$ 60,050,539</b>            |
| <br><b>Amounts reported for governmental activities in the statement of activities are different because:</b>  |                |                                 |
| <br>Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period. |                |                                 |
| Depreciation expense   | \$ (5,171,981) |                                 |
| Capital outlay   | 26,659,841     |                                 |
| Capital contributions  | -              | 21,487,860                      |
| <br>The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.   |                |                                 |
|  |                | (2,538)                         |
| <br>Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                |                                 |
| Property taxes, fines and grants:  |                |                                 |
| Deferred as of 12/31/21  | \$ 5,882,575   |                                 |
| Deferred as of 12/31/20  | (3,029,231)    | 2,853,344                       |
| <br>Governmental funds do not report the change in the investment in the joint venture, but the change is reported on the government-wide statement of activity.   |                |                                 |
|  |                | (198,349)                       |
| <br>The internal service fund is used by management to charge the costs of maintenance services to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.   |                |                                 |
|  |                | 1,142,809                       |
| <br>The internal service fund chargeback to enterprise funds is not reported in the governmental funds, but is reported on the government-wide financial statements.   |                |                                 |
|  |                | (326,854)                       |
| <br>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.   |                |                                 |
|  |                | 895,000                         |
| <br>Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.   |                |                                 |
|  |                | (119,911)                       |
| <br>Net pension debits reported on the government-wide statement of position but not reported on the governmental fund balance sheet.  |                |                                 |
|  |                | 6,913,222                       |
| <br>A one-month portion of interest on long-term debt is accrued in the governmental-activities but not on the governmental funds statement of revenues expenditures and changes and fund balance.   |                |                                 |
|  |                | (165,012)                       |
| <br>Proceeds from issuance of long term debt is an other financing source in the governmental funds, but increases liabilities in the government-wide statement of net position  |                |                                 |
|  |                | (60,236,735)                    |
| <br>Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                |                                 |
| Liability as of 12/31/21   | \$ (4,492,894) |                                 |
| Liability as of 12/31/20   | 3,484,892      | (1,008,002)                     |
| <br><b>Change In Net Position of Governmental Activities</b>   |                | <br><b><u>\$ 31,285,373</u></b> |

See accompanying notes to the basic financial statements

City of Lynnwood, Washington  
Statement of Net Position  
Proprietary Funds  
December 31, 2021

|   | Business-type Activities -<br>Enterprise Funds |                     |                      | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|--|---------------------|----------------------|--|
|   | Water and<br>Sewer<br>Utility                  | Golf<br>Course      | Total                |  |
| <b>Assets</b>   |  |                     |                      |  |
| <b>Current Assets:</b>  |  |                     |                      |  |
| Cash and cash equivalents   | \$ 11,022,057                                  | \$ 133,793          | \$ 11,155,850        | \$ 2,039,103   |
| Restricted assets: cash and cash equivalents  | -  | -                   | -                    | -  |
| Investments   | 2,073,535                                      | 434,379             | 2,507,914            | 2,625,561  |
| Receivables:  |  |                     |                      |  |
| Accounts  | 10,458,253                                     | -                   | 10,458,253           | -  |
| Intergovernmental   | -  | -                   | -                    | 235,782  |
| Inventories   | -  | 24,866              | 24,866               | -  |
| Prepaid items   | 76,599   | -                   | 76,599               | 34,546   |
| <b>Total Current Assets</b>   | <b>23,630,444</b>                              | <b>593,038</b>      | <b>24,223,482</b>    | <b>4,934,992</b>   |
| <b>Noncurrent Assets:</b>   |  |                     |                      |  |
| Restricted assets: cash and cash equivalents  | -  | 43,921              | 43,921               | -  |
| Notes receivable  | 61,322   | -                   | 61,322               | -  |
| Net pension asset   | 3,082,818                                      | -                   | 3,082,818            | 390,758  |
| Capital assets:   |  |                     |                      |  |
| Nondepreciable  | 21,821,474                                     | 3,674,630           | 25,496,104           | 1,073,005  |
| Depreciable, net  | 76,893,587                                     | 594,817             | 77,488,404           | 6,377,605  |
| <b>Total Noncurrent Assets</b>  | <b>101,859,201</b>                             | <b>4,313,368</b>    | <b>106,172,569</b>   | <b>7,841,368</b>   |
| <b>TOTAL ASSETS</b>   | <b>125,489,645</b>                             | <b>4,906,406</b>    | <b>130,396,051</b>   | <b>12,776,360</b>  |
| <b>Deferred Outflows of Resources</b>   |  |                     |                      |  |
| Deferred Outflows of Resources - pensions   | 399,154  | -                   | 399,154              | 50,594   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>   | <b>399,154</b>                                 | <b>-</b>            | <b>399,154</b>       | <b>50,594</b>  |
| <b>Liabilities</b>  |  |                     |                      |  |
| <b>Current Liabilities:</b>   |  |                     |                      |  |
| Accounts payable  | 1,619,602                                      | 119,128             | 1,738,730            | 80,478   |
| Accrued payroll   | 130,830  | -                   | 130,830              | 17,664   |
| Retainage payable   | 15,894   | -                   | 15,894               | -  |
| Interfund payable   | -  | 133,000             | 133,000              | -  |
| Custodial accounts payable  | 5,301  | -                   | 5,301                | -  |
| Compensated absences payable  | 521,723  | -                   | 521,723              | 68,224   |
| Claims and judgments payable  | -  | -                   | -                    | 224,620  |
| Deposits payable  | -  | 25,135              | 25,135               | -  |
| Unearned revenue  | -  | 18,786              | 18,786               | -  |
| Revenue bonds payable   | 2,486,828                                      | -                   | 2,486,828            | -  |
| Accrued interest payable  | 134,449  | -                   | 134,449              | -  |
| <b>Total Current Liabilities</b>  | <b>4,914,627</b>                               | <b>296,049</b>      | <b>5,210,676</b>     | <b>390,986</b>   |
| <b>Long-Term Liabilities: (net of current portion)</b>  |  |                     |                      |  |
| Compensated absences payable  | 225,362  | -                   | 225,362              | 29,470   |
| Interfund payable   | -  | 852,000             | 852,000              | -  |
| Net pension liability   | 316,257  | -                   | 316,257              | 40,087   |
| Revenue bonds payable   | 43,078,680                                     | -                   | 43,078,680           | -  |
| <b>Total Long-term Liabilities</b>  | <b>43,620,299</b>                              | <b>852,000</b>      | <b>44,472,299</b>    | <b>69,557</b>  |
| <b>TOTAL LIABILITIES</b>  | <b>48,534,926</b>                              | <b>1,148,049</b>    | <b>49,682,975</b>    | <b>460,543</b>   |
| <b>Deferred Inflows of Resources</b>  |  |                     |                      |  |
| Deferred Inflows of Resources - gain on refunding   | 115,274  | -                   | 115,274              | -  |
| Deferred Inflows of Resources - pensions  | 3,254,291                                      | -                   | 3,254,291            | 412,492  |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>  | <b>3,369,565</b>                               | <b>-</b>            | <b>3,369,565</b>     | <b>412,492</b>   |
| <b>Net Position</b>   |  |                     |                      |  |
| Net investment in capital assets  | 52,423,971                                     | 4,269,447           | 56,693,418           | 7,450,610  |
| Restricted for:   |  |                     |                      |  |
| Debt service  | 299,133  | -                   | 299,133              | -  |
| Pension asset   | 498,411  | -                   | 498,411              | 63,174   |
| Unrestricted  | 20,762,793                                     | (511,090)           | 20,251,703           | 4,440,135  |
| <b>TOTAL NET POSITION</b>   | <b>\$ 73,984,308</b>                           | <b>\$ 3,758,357</b> | <b>77,742,665</b>    | <b>\$ 11,953,919</b>                                     |
| <b>Reconciliation of the fund level statement of net position to the government-wide statement of net position:</b>           |  |                     |                      |  |
| Record internal service fund charge-back to enterprise funds resulting in an interfund receivable to governmental activities. |  |                     | 537,757              |  |
| <b>Adjusted Total Net Position</b>  |  |                     | <b>\$ 78,280,422</b> |  |

See accompanying notes to the basic financial statements

**City of Lynnwood, Washington**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

|   | Business-type Activities -<br>Enterprise Funds |                     |                      | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|--|---------------------|----------------------|--|
|   | Water and<br>Sewer<br>Utility                  | Golf<br>Course      | Total                |  |
| <b>Operating Revenues</b>   |  |                     |                      |  |
| Charges for services  | \$ 25,025,415                                  | \$ 1,651,660        | \$ 26,677,075        | \$ 3,472,200   |
| Rentals   | -  | 229,979             | 229,979              | -  |
| Miscellaneous   | -  | 277                 | 277                  | -  |
| <b>Total Operating Revenues</b>   | <u>25,025,415</u>                              | <u>1,881,916</u>    | <u>26,907,331</u>    | <u>3,472,200</u>   |
| <b>Operating Expenses</b>   |  |                     |                      |  |
| Administration and general  | 5,749,743                                      | 1,435,087           | 7,184,830            | -  |
| Operations and maintenance  | 10,896,865                                     | 29,812              | 10,926,677           | 1,562,669  |
| Insurance and claims  | -  | -                   | -                    | 72,230   |
| Depreciation  | 3,030,811                                      | 35,074              | 3,065,885            | 914,015  |
| <b>Total Operating Expenses</b>   | <u>19,677,419</u>                              | <u>1,499,973</u>    | <u>21,177,392</u>    | <u>2,548,914</u>   |
| <b>Operating Income</b>   | <u>5,347,996</u>                               | <u>381,943</u>      | <u>5,729,939</u>     | <u>923,286</u>   |
| <b>Non-Operating Revenues (Expenses)</b>  |  |                     |                      |  |
| Interest and fiscal charges   | (1,495,208)                                    | (1,160)             | (1,496,368)          | -  |
| Other nonoperating revenue  | 367,388  | -                   | 367,388              | -  |
| Gain (Loss) on disposition of capital assets  | (86,479)                                       | -                   | (86,479)             | 255,963  |
| Debt issuance costs   | (1,247)  | -                   | (1,247)              | -  |
| Investment earnings   | 58,273   | (5,277)             | 52,996               | (36,439)   |
| Miscellaneous revenue   | -  | -                   | -                    | -  |
| <b>Total Non-Operating Revenues (Expenses)</b>  | <u>(1,157,273)</u>                             | <u>(6,437)</u>      | <u>(1,163,710)</u>   | <u>219,524</u>   |
| <b>Income (Loss) Before Contributions and Transfers</b>   | 4,190,723                                      | 375,506             | 4,566,229            | 1,142,810  |
| <b>Contributions</b>  | 810,004  | -                   | 810,004              | -  |
| <b>Transfers Out</b>  | <u>(88,725)</u>                                | <u>-</u>            | <u>(88,725)</u>      | <u>-</u>   |
| <b>Change in Net Position</b>   | 4,912,002                                      | 375,506             | 5,287,508            | 1,142,810  |
| <b>Net Position Beginning of Year</b>   | <u>69,161,272</u>                              | <u>3,382,851</u>    | <u>72,544,123</u>    | <u>10,898,619</u>  |
| <b>Prior Period Adjustment</b>  | (88,966)                                       | -                   | (88,966)             | (87,510)   |
| <b>Net Position End of Year</b>   | <u>\$ 73,984,308</u>                           | <u>\$ 3,758,357</u> | <u>\$ 77,742,665</u> | <u>\$ 11,953,919</u>                                     |
| <b>Reconciliation of the fund level operating statement to the government-wide statement of activities:</b> |  |                     |                      |  |
| Change in net position  | \$ 4,912,002                                   | \$ 375,506          | \$ 5,287,508         |  |
| Internal service fund charges (credits) to enterprise funds, resulting in changes to operating expenses.    | <u>324,993</u>                                 | <u>1,861</u>        | <u>326,854</u>       |  |
| <b>Adjusted Change in Net Position</b>  | <u>\$ 5,236,995</u>                            | <u>\$ 377,367</u>   | <u>\$ 5,614,362</u>  |  |

See accompanying notes to the basic financial statements



City of Lynnwood, Washington  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2021

|  | Business-type Activities -<br>Enterprise Funds |                   |                      | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|--|-------------------|----------------------|--|
|  | Water and<br>Sewer<br>Utility                  | Golf<br>Course    | Total                |  |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                        |  |                   |                      |  |
| <b>Cash Flows from Operating Activities</b>                                    |  |                   |                      |  |
| Cash received from customers   | \$ 18,647,520                                  | \$ 1,883,018      | \$ 20,530,538        | \$ 920,528   |
| Cash received from interfund services provided                                 | -  | -                 | -                    | 2,586,654  |
| Cash payments to employees for services  | (5,581,412)                                    | -                 | (5,581,412)          | (754,987)  |
| Cash payments for goods and services   | (12,038,890)                                   | (1,400,299)       | (13,439,189)         | (946,278)  |
| Cash received (paid) from/(to) other funds                                     | -  | (29,812)          | (29,812)             | -  |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                     | <u>1,027,218</u>                               | <u>452,907</u>    | <u>1,480,125</u>     | <u>1,805,917</u>   |
| <b>Cash Flows from Non-Capital financing activities</b>                        |  |                   |                      |  |
| Cash flows from/(to) interfund loans   | -  | (134,160)         | (134,160)            | -  |
| Receipts from non-capital grants   | 3,937  | -                 | 3,937                | -  |
| <b>Net Cash Flows from non-Capital and related financing activities</b>        | <u>3,937</u>                                   | <u>(134,160)</u>  | <u>(130,223)</u>     | <u>-</u>   |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |  |                   |                      |  |
| Proceeds from disposition of capital assets                                    | 67,051   | -                 | 67,051               | 209,213  |
| Cash receipts from capital grants  | 296,400  | -                 | 296,400              | -  |
| Cash received from (paid to) other funds                                       | (88,725)                                       | -                 | (88,725)             | -  |
| Bond issuance costs  | (1,247)  | -                 | (1,247)              | -  |
| Principal paid on revenue bonds  | (2,185,000)                                    | -                 | (2,185,000)          | -  |
| Interest paid on revenue bonds   | (1,728,317)                                    | -                 | (1,728,317)          | -  |
| Capital contributions  | 189,057  | -                 | 189,057              | -  |
| Payments for capital acquisitions  | (14,587,688)                                   | (143,590)         | (14,731,278)         | (2,022,788)  |
| <b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b> | <u>(18,038,469)</u>                            | <u>(143,590)</u>  | <u>(18,182,059)</u>  | <u>(1,813,575)</u>                                       |
| <b>Cash Flows from Investing Activities</b>                                    |  |                   |                      |  |
| Purchase of investment securities  | (5,077,838)                                    | (1,076,051)       | (6,153,889)          | (6,498,297)  |
| Proceeds from sale and maturities of investment securities                     | 7,106,337                                      | 845,813           | 7,952,150            | 5,659,571  |
| Investment earnings  | 58,273   | (5,277)           | 52,996               | (36,439)   |
| <b>Net Cash Provided by (Used in) Investing Activities</b>                     | <u>2,086,772</u>                               | <u>(235,515)</u>  | <u>1,851,257</u>     | <u>(875,165)</u>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                    | <u>(14,920,542)</u>                            | <u>(60,358)</u>   | <u>(14,980,900)</u>  | <u>(882,823)</u>   |
| <b>Cash and Cash Equivalents Beginning of Year</b>                             | <u>25,942,599</u>                              | <u>238,072</u>    | <u>26,180,671</u>    | <u>2,921,926</u>   |
| <b>Cash and Cash Equivalents End of Year</b>                                   | <u>\$ 11,022,057</u>                           | <u>\$ 177,714</u> | <u>\$ 11,199,771</u> | <u>\$ 2,039,103</u>                                      |

(continued)

City of Lynnwood, Washington  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2021

(continued)

|  | Business-type Activities -<br>Enterprise Funds |                   |                     | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|--|-------------------|---------------------|--|
|  | Water and<br>Sewer<br>Utility                  | Golf<br>Course    | Total               |  |
| <b>Reconciliation of Operating (Loss) to Net Cash<br/>Provided by (Used in) Operating Activities</b> |  |                   |                     |  |
| <b>Operating Income (Loss)</b>   | \$ 5,347,996                                   | \$ 381,943        | \$ 5,729,939        | \$ 923,286   |
| <b>Adjustments:</b>  |  |                   |                     |  |
| Depreciation   | 3,030,811                                      | 35,074            | 3,065,885           | 914,015  |
| <b>(Increase) Decrease in Assets:</b>  |  |                   |                     |  |
| Accounts receivable  | (6,377,895)                                    | 1,102             | (6,376,793)         | 34,982   |
| Inventories, deposits, and prepaid items   | 4,528  | (3,687)           | 841                 | (9,546)  |
| <b>Increase (Decrease) in Liabilities:</b>   |  |                   |                     |  |
| Accounts payable   | 90,625   | 42,183            | 132,808             | 104,155  |
| Compensated absences payable   | 171,035  | -                 | 171,035             | 15,192   |
| Other Current Liabilities  | (1,239,882)                                    | (3,708)           | (1,243,590)         | (176,167)  |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <u>\$ 1,027,218</u>                            | <u>\$ 452,907</u> | <u>\$ 1,480,125</u> | <u>\$ 1,805,917</u>                                      |
| <b>Schedule of Non-Cash Capital and Related<br/>Financing Activities</b>                             |  |                   |                     |  |
| Contribution of capital assets   | \$ 620,947                                     | \$ -              | \$ 620,947          | \$ -   |
| Fair value of investments increased (decreased) by   | <u>(29,648)</u>                                | <u>(5,277)</u>    | <u>(34,925)</u>     | <u>(37,540)</u>  |
| <b>Total Non-Cash Activities</b>   | <u>\$ 591,299</u>                              | <u>\$ (5,277)</u> | <u>\$ 586,022</u>   | <u>\$ (37,540)</u>                                       |

See accompanying notes to the basic financial statements

**City of Lynnwood, Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2021**

|   | <b>Pension (and<br/>Other Employee<br/>Benefit)<br/>Trust Funds</b> | <b>Private-Purpose<br/>Trust Funds</b> | <b>Custodial<br/>Funds</b> | <b>Total</b>      |
|---|---|--|----------------------------|-------------------|
| <b>Assets</b>                               |   |  |                            |                   |
| Cash and cash equivalents                   | \$ 251,009  | \$ 21,343                              | \$ 382,490                 | \$ 654,842        |
| <b>Total Assets</b>                         | 251,009   | 21,343                                 | \$ 382,490                 | \$ 654,842        |
| <b>Liabilities</b>                          |   |  |                            |                   |
| Accounts payable and other accrued expenses | -   | -                                      | 209,453                    | 209,453           |
| <b>Total Liabilities</b>                    | -   | -                                      | 209,453                    | 209,453           |
| <b>Net Position</b>                         |   |  |                            |                   |
| Restricted for specific program use         | 251,009   | 21,343                                 | 173,037                    | 445,389           |
| <b>Total Net Position</b>                   | <u>\$ 251,009</u>   | <u>\$ 21,343</u>                       | <u>\$ 173,037</u>          | <u>\$ 445,389</u> |

See accompanying notes to the basic financial statements

**City of Lynnwood, Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2021**

|   | <b>Pension (and<br/>Other Employee<br/>Benefit)<br/>Trust Funds</b> | <b>Private-Purpose<br/>Trust Funds</b> | <b>Custodial<br/>Funds</b> | <b>Total</b>      |
|---|---|--|----------------------------|-------------------|
| <b>Additions:</b>   |   |  |                            |                   |
| Contributions   | \$ 68,741   | \$ 129                                 | \$ -                       | \$ 68,870         |
| Court collections   | -   | -                                      | 507,632                    | 507,632           |
| Pass thru collections - PFD                                     | -   | -                                      | 507,646                    | 507,646           |
| Building code surcharges collected                              | -   | -                                      | 7,451                      | 7,451             |
| Sales taxes collected   | -   | -                                      | 96,531                     | 96,531            |
| Drug seizures   | -   | -                                      | 128,538                    | 128,538           |
| Weapons permitting fees collected for other agencies            | -   | -                                      | 9,788                      | 9,788             |
| Fingerprinting fees collected for other agencies                | -   | -                                      | 4,482                      | 4,482             |
| Interest revenue  | 1,742   | -                                      | -                          | 1,742             |
| <b>Total Additions</b>  | <b>70,483</b>   | <b>129</b>                             | <b>1,262,067</b>           | <b>1,332,679</b>  |
| <b>Deductions:</b>  |   |  |                            |                   |
| Benefits and disbursements                                      | 117,566   | -                                      | -                          | 117,566           |
| Administrative expenses   | 2,500   | -                                      | -                          | 2,500             |
| Court remittances   | -   | -                                      | 435,102                    | 435,102           |
| Pass thru collections - PFD                                     | -   | -                                      | 507,376                    | 507,376           |
| Building code surcharges remitted                               | -   | -                                      | 7,789                      | 7,789             |
| Sales taxes remitted  | -   | -                                      | 104,969                    | 104,969           |
| Drug seizures distributed                                       | -   | -                                      | 95,044                     | 95,044            |
| Weapons permitting fees remitted to other agencies              | -   | -                                      | 9,338                      | 9,338             |
| Fingerprinting fees remitted to other agencies                  | -   | -                                      | 4,475                      | 4,475             |
| <b>Total Deductions</b>   | <b>120,066</b>  | <b>-</b>                               | <b>1,164,092</b>           | <b>1,284,158</b>  |
| <b>Change in Net Position</b>                                   | <b>(49,583)</b>   | <b>129</b>                             | <b>97,974</b>              | <b>48,520</b>     |
| <b>Net Position Beginning of Year</b>                           | <b>300,592</b>  | <b>21,214</b>                          | <b>75,063</b>              | <b>396,869</b>    |
| <b>Prior Period Adjustment - Change in Accounting Principle</b> | <b>-</b>  | <b>-</b>                               | <b>-</b>                   | <b>-</b>          |
| <b>Net Position End of Year</b>                                 | <b>\$ 251,009</b>   | <b>\$ 21,343</b>                       | <b>\$ 173,037</b>          | <b>\$ 445,389</b> |

See accompanying notes to the basic financial statements

The City of Lynnwood, Washington (the City) was incorporated on April 23, 1959, and operates under the laws of the State of Washington applicable to an optional code city with a Mayor/Council form of government. The City is governed by an elected mayor and seven-member governing council and provides the following services: public safety (police and fire protection), public works (streets, sanitation, and utilities), culture, recreation, and library services, planning and zoning, and general administrative services.

### ***Note 1 Summary of Significant Accounting Policies***

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

#### ***1-A. Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Lynnwood, this entity includes component units as described below.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The City's component units are presented either as "blended" or "discretely presented." If blended, it is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

Discretely presented component units are reported only at the government-wide financial reporting level. The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

The following component unit is discretely presented in the reporting entity:

***South Snohomish County Public Facilities District (PFD)*** - The PFD was established by City Ordinance No 2266 on August 24, 1999, to finance, design, construct, operate and maintain a regional center as a conference, convention or special events center. A five-member board governs the PFD and is appointed to four-year terms by the City Council. In 2003 the name was changed to Lynnwood PFD. The City provides funding for the PFD through hotel/motel taxes, making the PFD dependent upon the City for its revenue source. The PFD issued \$1.93 million Series A Sales Tax Bonds, \$10 million Series B tax exempt Sales Tax Bonds in 2004 and \$17.265 million in Revenue Bonds in 2005. The PFD refunded the Revenue Bonds and Series B Sales Tax Bonds in 2015. As of December 31, 2021, the outstanding sales tax and revenue bonds were \$4.4 million and \$12.9 million, respectively. S&P also raised the bond rating for the City's PFD's bonds, issued on behalf of the City, from "A" to "AA+." The City is contingently liable for the PFD bonds. Separate financial statements for the PFD can be obtained from the Lynnwood PFD Administrative Offices at 3815 196<sup>th</sup> Street SW, Suite 136, Lynnwood, WA 98036.

#### ***1-B. Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Fiduciary activities are not included at the government-wide financial reporting level. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities,

generally financed in whole or in part with user fees charged to external customers. The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns.

**Fund Accounting** - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** - Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's four major governmental funds the first of which is the General Fund:

*The General Fund* – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Washington. The General Fund includes the following managerial funds:

The *Revenue Stabilization Fund* was established to accumulate resources to cover periods of revenue shortages in the General Fund, and for expenditures deemed necessary by the City Council.

The *Program Development Fund* was established to accumulate special appropriations and money from the General Fund that may be used for program development, enhancement or expansion projects, and for matching funds for grants and interlocal agreements.

The *Economic Development Infrastructure Fund* is used to support and promote the Economic Development Policy outlined in Resolution 2012-06. Resources are used to fund the City's participation in public infrastructure and public facilities.

The *Transportation Capital Fund* is used for transportation capital projects, primarily funded by grants.

The *Public Safety Capital Fund* is used for costs related to construction of a new public safety building, which is primarily funded from 2021 bond proceeds.

The *American Rescue Plan Act Fund* is used to track revenues and expenditures related to American Rescue Plan Act grant funds.

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds and an internal service fund. The following are the City's major enterprise funds:

The *Water, Sewer and Storm Drainage Utility Fund* serves as the main operating fund for providing water, sewer, and storm water utility services for the citizens of the City. It also acts to perform debt service duties for payment of outstanding revenue bonds.

The *Golf Course Fund* accounts for the City's 18-hole municipal golf course and pro shop which is managed and operated by Premier Golf Centers, LLC.

**Internal Service Funds** are used to account for goods and services provided to other funds, departments, or governments on a cost-reimbursement basis. The City maintains funds in this category for equipment rental, self-insurance, a reserve retirement fund, and technology replacement.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are used to account for the proceeds for specific revenue sources or to finance specified activities as required by law or administrative regulation.

*Debt Service Funds* are used to account for the accumulation of resources to pay interest and principal on general long-term debt.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition and construction of capital facilities other than those financed by the proprietary funds.

*Trust Funds* are used to account for cash and other assets received and held by the City in a trustee capacity or custodian for outside individuals or private organizations. Pension Trust and Private-Purpose Trust Funds are accounted for in essentially the same manner as proprietary funds, but with an important expanded emphasis on required fund balance reserves. The City maintains the Firefighters' Pension Trust Fund and the Randy Terlicker Memorial Scholarship Fund, a private purpose trust fund. The scholarship fund receives contributions, private donations, and interest payments on the reserve, and in turn, awards scholarships to selected and qualified individual recipients from this reserve.

*Custodial funds* are used to account for assets held by the City in a custodial capacity (assets equal liabilities) and do not involve measurement of results of operations. The City uses these funds to account for various deposits payable to State and local agencies.

### **1-C. Measurement Focus**

**Government-wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows, and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses. The government-wide financial statements do not include the fiduciary fund types.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the way the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types and the pension trust fund are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. The custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### ***1-D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, and in the presentation of expenses versus expenditures.

***Revenues – Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

***Revenues - Non-Exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are susceptible to accrual: property taxes and federal and state grants.

***Unearned Revenues*** – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, unearned revenues consist of:

- Grants and entitlements received before the eligibility requirements are met (e.g. cash advances.)

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

#### ***1-E. Assets, Liabilities and Net Position/Fund Balances***

##### ***1-E-1 Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

The City is empowered to invest in the following types of securities identified as eligible investments as defined by RCW 35A.40.050 and RCW 43.84.080. In general, these consist of:



- Investment deposits (certificates of deposits) with qualified public depositories as defined in Chapter 39.58 RCW.
- Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States whose securities carry full faith and credit guarantees.
- Obligations of government sponsored corporations, which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to, Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, and Federal National Mortgage Associates notes.)
- Prime bankers acceptances purchased on the secondary market.
- Repurchase agreements for securities listed above, provided that the transaction is structured so that the City obtains ownership and control over the underlying securities. A Master repurchase agreement between the City and the bank or dealer must be on file prior to any repurchase agreement transaction.
- The Washington Local Government Investment Pool

Interest earnings are allocated to each fund monthly, based on average pooled equity balances.

### ***1-E-2 Receivables***

All trade and tax receivables are reported net of an allowance for uncollectibles, where applicable. Taxes receivable consists of property taxes, sales tax, utility taxes, gambling taxes, liquor excise tax, state shared program revenues, public transportation and fuel tax. Additional detail on and the composition of receivable balances are presented in Note 3-B.

### ***1-E-3 Interfund Balances***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "intergovernmental receivable/interfund payable." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

### ***1-E-4 Inventories***

On the government-wide financial statements and at the fund financial reporting level, inventories are presented at cost using the weighted average cost method and are expensed when used (i.e., the consumption method).

### ***1-E-5 Capital Assets (see Note 3-D)***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the Government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of five thousand dollars (\$5,000) and an estimated three-year life. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Pursuant to GASB 89, interest incurred during the construction of capital assets utilized by enterprise funds is not capitalized. In 2021 the total amount of interest incurred by the enterprise funds, all of which was charged to expense, was \$1,495,208.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

| Asset Class                       | Estimated Useful Lives<br>(YRS) |
|-----------------------------------|---------------------------------|
| Buildings                         | 10 - 50                         |
| Improvements other than Buildings | 10 - 50                         |
| Machinery and equipment           | 3 - 20                          |
| Infrastructure                    | 15 - 100                        |

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

***1-E-6 Compensated Absences***

The city limits the accumulation of unpaid vacation benefits to two years’ accrual; any excess accrual would require executive approval. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Sick leave accumulation is limited to a maximum of 720 hours. Upon termination of retirement of employment, unused sick leave may be converted to pay at the current rate on the following basis:

1. Termination – Voluntary or discharge  
For accrued sick leave hours from one to 720 hours, the accrued sick leave hours shall be paid on a five to one ratio (five hours of sick leave equals one hour of pay). The maximum payout amount shall be 144 hours of paid time.
2. Termination by layoff  
For accrued sick leave hours from one to 720 hours, the accrued sick leave hours shall be paid on a three-to-one ratio (three hours of accrued sick leave equals one hour of pay). The maximum payout amount shall be 368 hours of paid time. (Ord. 3287 § 5, 2018).
3. Retirement (Consistent with the Requirements of the Employee’s Applicable Washington State Retirement System), or on Death
  - a. An Employee with Less Than 1,000 Hours of Accrued Sick Leave; The first 192 hours of accrued sick leave shall be paid at 100 percent (every hour of sick leave equals one hour of pay). For accrued sick leave from 193 to 999 hours, the accrued sick leave hours shall be paid on a three-to-one ratio (three hours of accrued sick leave equals one hour of pay). The maximum payout amount shall be 368 hours of paid time. As an example, an employee with 720 accrued hours of sick leave receives 368 hours of paid time as the total accrued sick leave payout amount.
  - b. An Employee with 1,000 or more hours of accrued sick leave: The first 100 hours of accrued sick leave shall be paid at 100 percent (every hour of sick leave equals one hour of pay). For accrued sick leave hours from 101 to 1,600 hours, each hour of accrued sick leave shall be paid at 30 percent (for each hour of accrued sick leave, the employee receives 30 percent of one hour of pay). The maximum payout amount shall be the amount equal to 550 hours of paid time. As an example, an employee with 1,600 accrued hours of sick leave receives 550 hours of paid time as the total accrued sick leave payout amount.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “when matured (i.e., due).”

***1-E-7 Pensions and Other Post-Employment Benefits***

***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.

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

#### ***1-E-8 Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds and local loans are recognized as a liability in the governmental fund financial statements when due. Specific details about long-term debt are reported in Note 3-G.

#### ***1-E-9 Bond Premiums and Discounts and Issuance Costs***

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against the debt payable for reporting purposes. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts, are deferred and amortized over the life of the bond using the straight-line method.

Pursuant to GASB Statement No. 65, bond issuance costs, except for insurance, which is amortized over the life of the bonds, are recognized as an outflow of resources in the reporting period in which they are incurred.

#### ***1-E-10 Net Position/Fund Balances (Fund Equity)***

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only the City Council may modify or rescind the commitment. The City Council passed Resolution number 2014-20 in 2014 to designate \$6 million in the Revenue Stabilization Fund, a managerial fund that is included in the General Fund to protect the City from major economic downturns or similar adverse conditions. \$2,312,362 is also identified as committed in nonmajor governmental funds; \$808,142 in Special Revenue Funds, and \$1,504,220 in nonmajor Capital Projects Funds.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Mayor or designee to assign fund balances. Included in the General Fund is approximately \$9.8 million intended (assigned) to be spent on future economic development.

- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Net Position Flow Assumptions** – In order to report net position as a restricted – net position and an unrestricted – net position in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City’s policy to use restricted – net position first before using unrestricted – net position.

**Fund Balance Flow Assumptions** – It is the City’s policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City’s policy to use fund balance in the following order: Committed, Assigned, Unassigned.

**Fund Balance Policy** – The City of Lynnwood’s Financial Policies, most recently updated on November 22, 2021, include the following fund balance policies:

*Enterprise Funds Reserve* – Operating Fund. The operating reserve balance targets for Water, Sewer, and Storm Utilities are amounts equivalent to 90, 45, and 30 days of operating expenses, respectively.

*Enterprise Funds Reserve* – Capital Funds. The capital funds reserve balance targets for the Water, Sewer, and Storm Utilities are amounts equivalent to all Original Asset Values of 1%, 2%, and 1%, respectively.

*Debt Management Policies* include:

1. Term of long-term debt will not exceed the life of the projects financed. Current operations will not be financed with long term debt.
2. The City shall strive to maintain current credit rates of:

| Rating Agency       | General Obligation Bonds | Revenue Bonds |
|---------------------|--------------------------|---------------|
| Moody’s             | - A1                     | A+            |
| Standard and Poor’s | AA+                      | AA            |

3. The City debt will not exceed an aggregate total of 7.5% of the assessed valuation of the taxable property within the City in compliance with state law. The individual percentages shall not exceed 2.5% of assessed valuation in any specific category.

**Net Position** – The net position represents the difference between assets and liabilities. The net position component, “net investment in capital assets”, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

**1-E-11 Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services and producing and delivering goods consistent with a proprietary fund’s principal ongoing operations. The principal operating revenues of the city’s utility funds and internal service funds are charges to customers for sales and services and vehicle replacement. 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 system.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues (i.e., investment earnings, operating grants and the gain on the disposition of capital assets) and non-operating expenses (i.e., interest expense, loss on the disposition of capital assets).

### ***1-E-12 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental 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. Transfers between funds reported in the business type activities column are eliminated.

### ***1-E-13 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.

### ***1-E-14 Comparative Data***

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

### ***1-E-15 Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

## ***Note 2 – Stewardship, Compliance and Accountability***

***Budgetary Information*** – The City adopts a biennial budget encompassing all governmental funds. The discretely presented component unit, the Public Facilities District (PFD) has a separate board and adopts an annual budget which is not reported in the City's financial statements.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the individual fund level. Any change in total to a fund requires approval of the City Council.

All budgets are adopted on a GAAP basis (i.e., modified accrual basis). All unexpended annual appropriations lapse at the end of the budget biennium except for appropriations for some capital projects which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

The Mayor is authorized to transfer budgeted amounts between departments within any fund with the exception of the General Fund. Any revisions that alter total expenditures of a fund or department in the General Fund must be approved by the City Council. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The 2021-2022 budget was amended once in 2021.

**Note 3 - Detailed Notes on All Funds**

**3-A. Deposits and Investments**

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents are generally considered short term, highly liquid investments with a maturity of three months or less from the purchase date.

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

**Deposits**

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s bank balances of deposits as of December 31, 2021, are entirely insured by Federal Depository Insurance (FDIC) up to \$250,000 and all deposits not covered by FDIC insurance are covered by Washington Public Deposit Protection Commission (WPDPC) of the State of Washington for amounts over \$250,000.

The WPDPC is a statutory authority established under RCW Chapter 39.58. It 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. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

The City’s bank balances as of December 31, 2021, were \$97,963,499 including Fiduciary Funds of \$654,842. The Fiduciary Funds do not include clearing account balances.

|                      | General Fund         | Transportation Capital Fund | Public Safety Capital Fund | ARPA Fund           | Other Governmental Funds | Internal Service Funds | Water and Sewer Utility | Golf Course       | Fiduciary Funds   | Total                |
|----------------------|----------------------|-----------------------------|----------------------------|---------------------|--------------------------|------------------------|-------------------------|-------------------|-------------------|----------------------|
| Cash and Cash Equiv. | \$ 10,948,782        | \$ 10,466                   | \$ 56,807,469              | \$ 5,053,831        | \$ 11,249,235            | \$ 2,039,103           | \$ 11,022,057           | \$ 133,793        | \$ 654,842        | \$ 97,919,578        |
| Restricted Cash      | -                    | -                           | -                          | -                   | -                        | -                      | -                       | 43,921            | -                 | 43,921               |
|                      | <u>\$ 10,948,782</u> | <u>\$ 10,466</u>            | <u>\$ 56,807,469</u>       | <u>\$ 5,053,831</u> | <u>\$ 11,249,235</u>     | <u>\$ 2,039,103</u>    | <u>\$ 11,022,057</u>    | <u>\$ 177,714</u> | <u>\$ 654,842</u> | <u>\$ 97,963,499</u> |

Restricted Cash in the Golf Course Fund is based on customer deposits and prepayments.

**Investments**

In accordance with City policy, the City’s investments will be in compliance with all statutes governing the investment of public funds and the provisions of all applicable bond ordinances. The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements. Investments of the city shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio and shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City’s investment risk constraints and cash flow.

**Investments at Amortized Cost**

As of December 31, 2021, the City had the following investments at amortized cost:

| Investments                                 | Maturities | City's own investments | Investments held by City as an agent for other local governments, individuals, or private organizations | Total                |
|---|------------|------------------------|---|----------------------|
| Washington Local Government Investment Pool | n/a        | \$ 80,517,835          | \$ -  | \$ 80,517,835        |
| Total                                       |            | <u>\$ 80,517,835</u>   | <u>\$ -</u>   | <u>\$ 80,517,835</u> |

The City is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed

and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

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

In 2021, the City became a participant in the Snohomish County Investment Pool (SCIP), an external investment pool. The City reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The SCIP is not registered with the SEC. The SCIP investment policy is established by the Snohomish County Finance Committee consisting of the County Treasurer, County Executive and Chairperson of the County Council.

*Investments at Fair Value*

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered value hierarchy, as follows:

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

At December 31, 2021, the City had the following fair value measurements:

| Type of Asset                    | 12/31/2021    | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|----------------------------------|---------------|--|---|---|
| Debt Securities                  | \$ 24,568,764 | \$ -   | \$ 24,568,764                                 | \$ -                                      |
| Snohomish County Investment Pool | \$ 10,020,492 | \$ -   | \$ 10,020,492                                 | \$ -                                      |
| Total                            |               | \$ -   | \$ 34,589,256                                 | \$ -                                      |

**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. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments to less than eight years.

**Credit Quality Risk** –Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Currently, the City does not have an investment policy relating to credit quality risk. The ratings of non-governmental debt securities as of December 31, 2021 are:

| Debt Security              | S & P Rating |
|----------------------------|--------------|
| Federal Home Loan Bank     | AAA          |
| Federal Natl Mortgage Assn | AAA          |
| Federal Home Loan Mtg Corp | AAA          |
| Federal Farm Credit Bank   | AAA          |

**Custodial Credit Risk - Investments** – For investments, custodial credit risk is the risk that, in the event of a bank failure, the City’s investments may not be recovered. The City does have a specific custodial credit risk policy. All City securities are held in the City’s name.

**Concentration of Credit Risk** –Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. Currently, the City does not have an investment policy related to concentration of credit risk.

**3-B. Receivables**

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Amounts are aggregated into single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the governmental funds, including the applicable allowance for uncollectible accounts:

|                                    | General Fund  | Transportation Capital Projects | Nonmajor Funds  |              |                  | Total         |
|------------------------------------|---------------|---------------------------------|-----------------|--------------|------------------|---------------|
|                                    |               |                                 | Special Revenue | Debt Service | Capital Projects |               |
| Receivables:                       |               |                                 |                 |              |                  |               |
| Accounts                           | \$ 16,121,299 | \$ 68,707                       | \$ 167,656      | \$ -         | \$ 1,000         | \$ 16,358,662 |
| Property Taxes                     | 68,497        | -                               | -               | -            | -                | 68,497        |
| Sales Tax                          | 5,080,596     | -                               | 1,118,607       | -            | -                | 6,199,203     |
| Utility Taxes                      | 1,090,180     | -                               | -               | -            | -                | 1,090,180     |
| Other Taxes                        | 212,764       | -                               | -               | -            | -                | 212,764       |
| Real Estate Excise Tax             | -             | -                               | -               | -            | 2,970            | 2,970         |
| Intergovernmental                  | 227,017       | 6,768,899                       | 26,718          | -            | 1,507,399        | 8,530,033     |
| Gross Receivables                  | \$ 22,800,353 | \$ 6,837,606                    | \$ 1,312,981    | \$ -         | \$ 1,511,369     | \$ 32,462,309 |
| Less: Allowance for Uncollectibles | (12,418,384)  | -                               | -               | -            | -                | (12,418,384)  |
| Total                              | \$ 10,381,969 | \$ 6,837,606                    | \$ 1,312,981    | \$ -         | \$ 1,511,369     | \$ 20,043,925 |

**3-C. Property Taxes**

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the City monthly. The following is the property tax calendar:

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

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

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

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



The City's regular levy for 2021 was \$0.54 per \$1,000 on an assessed valuation of \$7,953,751,038. The City has no special levies approved by voters that are not subject to the limitations listed above.

| <u>Purpose of Levy</u> | <u>Levy Rate per \$1,000</u> | <u>Total Levy Amount</u> |
|------------------------|------------------------------|--------------------------|
| General Government     | <u>\$0.54062542</u>          | <u>\$4,300,000</u>       |
| Total City Levy        | <u>\$0.54062542</u>          | <u>\$4,300,000</u>       |

### 3-D. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

| <b>Governmental Activities:</b><br>(including Internal Service fund): | <b>Beginning<br/>Balance<br/>1/1/2021</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance<br/>12/31/2021</b> |
|---|---|------------------|------------------|--|
| Nondepreciable capital assets:  |   |                  |                  |  |
| Land  | \$ 43,022,609                             | \$ 181,845       | \$ -             | \$ 43,204,454                            |
| Easements   | 452,683                                   | 28,215           | -                | 480,898                                  |
| Art, non-depreciable  | 128,219                                   | -                | -                | 128,219                                  |
| Construction in progress  | 14,558,402                                | 26,859,081       | (1,586,854)      | 39,830,629                               |
| Total nondepreciable capital assets                                   | 58,161,913                                | 27,069,141       | (1,586,854)      | 83,644,200                               |
| Depreciable capital assets  |   |                  |                  |  |
| Buildings   | 42,577,827                                | 913,610          | -                | 43,491,437                               |
| Improvements other than buildings                                     | 23,168,319                                | 640,320          | (56,760)         | 23,751,879                               |
| Machinery and equipment   | 19,131,416                                | 1,682,193        | (581,104)        | 20,232,505                               |
| Infrastructure  | 105,483,202                               | 36,950           | -                | 105,520,152                              |
| Total depreciable capital assets                                      | 190,360,764                               | 3,273,073        | (637,864)        | 192,995,973                              |
| Total capital assets  | 248,522,677                               | 30,342,214       | (2,224,718)      | 276,640,173                              |
| Less accumulated depreciation for:                                    |   |                  |                  |  |
| Buildings   | (19,999,426)                              | (1,205,639)      | -                | (21,205,065)                             |
| Improvements other than buildings                                     | (16,648,580)                              | (570,173)        | 56,760           | (17,161,993)                             |
| Machinery and equipment   | (11,762,703)                              | (1,414,099)      | 552,584          | (12,624,218)                             |
| Infrastructure  | (49,042,193)                              | (2,896,085)      | -                | (51,938,278)                             |
| Total accumulated depreciation  | (97,452,902)                              | (6,085,996)      | 609,344          | (102,929,554)                            |
| Governmental activities capital assets, net                           | \$ 151,069,775                            | \$ 24,256,218    | \$ (1,615,374)   | \$ 173,710,619                           |

| <b>Business-Type Activities:</b>             | <b>Beginning<br/>Balance<br/>1/1/2021</b> | <b>Increases</b>     | <b>Decreases</b>      | <b>Ending<br/>Balance<br/>12/31/2021</b> |
|--|---|----------------------|-----------------------|--|
| Nondepreciable capital assets:               |   |                      |                       |  |
| Land   | \$ 8,259,914                              | \$ -                 | \$ -                  | \$ 8,259,914                             |
| Easements                                    | 4,340,120                                 | -                    | -                     | 4,340,120                                |
| Construction in progress                     | 8,392,475                                 | 10,194,988           | (5,691,393)           | 12,896,070                               |
| Total nondepreciable capital assets          | <u>20,992,509</u>                         | <u>10,194,988</u>    | <u>(5,691,393)</u>    | <u>25,496,104</u>                        |
| Depreciable capital assets                   |   |                      |                       |  |
| Buildings                                    | 34,447,324                                | 391,576              | -                     | 34,838,900                               |
| Improvements other than buildings            | 2,774,233                                 | 14,040               | -                     | 2,788,273                                |
| Machinery and equipment                      | 4,948,715                                 | 146,519              | (173,203)             | 4,922,031                                |
| Infrastructure                               | 84,491,163                                | 8,247,014            | -                     | 92,738,177                               |
| Total depreciable capital assets             | <u>126,661,435</u>                        | <u>8,799,149</u>     | <u>(173,203)</u>      | <u>135,287,381</u>                       |
| Total capital assets                         | <u>147,653,944</u>                        | <u>18,994,137</u>    | <u>(5,864,596)</u>    | <u>160,783,485</u>                       |
| Less accumulated depreciation for:           |   |                      |                       |  |
| Buildings                                    | (24,979,086)                              | (437,912)            | -                     | (25,416,998)                             |
| Improvements other than buildings            | (1,934,379)                               | (45,455)             | -                     | (1,979,834)                              |
| Machinery and equipment                      | (3,325,114)                               | (286,270)            | 173,203               | (3,438,181)                              |
| Infrastructure                               | (24,667,716)                              | (2,296,248)          | -                     | (26,963,964)                             |
| Total accumulated depreciation               | <u>(54,906,295)</u>                       | <u>(3,065,885)</u>   | <u>173,203</u>        | <u>(57,798,977)</u>                      |
| Business-type activities capital assets, net | <u>\$ 92,747,649</u>                      | <u>\$ 15,928,252</u> | <u>\$ (5,691,393)</u> | <u>\$ 102,984,508</u>                    |

In 2021, the City completed the Lift Station 4 & 8 Improvements, Lift Station 10 Flood Protection project, ADA Ramps and Sidewalks, and the City Hall HVAC project. In addition, the City made significant progress on the 196th Street SW (SR 524), WWTP Improvements, 60<sup>th</sup> Sewer Repair, Community Justice Center, and South Lynnwood Park Improvements, which are currently all in the construction phase.

**Depreciation Expense by Function:**

**Governmental Activities**

|                        |              |
|------------------------|--------------|
| General Government     | \$ 1,243,445 |
| Public Safety          | 443,324      |
| Transportation         | 3,364,892    |
| Economic Environment   | 19,874       |
| Culture and Recreation | 1,014,461    |

Total Depreciation Expense - Governmental Activities \$ 6,085,996

**Business-type Activities**

|                           |              |
|---------------------------|--------------|
| Water/Sewer/Storm Utility | \$ 3,030,811 |
| Golf Course               | 35,074       |

Total Depreciation Expense - Business-Type Activities \$ 3,065,885

| Discretely Presented Component Unit<br>Lynnwood Public Facilities District | Beginning     |              |           | Ending        |
|--|---------------|--------------|-----------|---------------|
|  | Balance       | Increases    | Decreases | Balance       |
|  | 1/1/2021*     |              |           | 12/31/2021    |
| Nondepreciable capital assets:   |               |              |           |               |
| Land   | \$ 6,788,800  | \$ -         | \$ -      | \$ 6,788,800  |
| Construction in progress   | -             | 26,544       | -         | 26,544        |
| Total nondepreciable capital assets  | 6,788,800     | 26,544       | -         | 6,815,344     |
| Depreciable capital assets:  |               |              |           |               |
| Buildings  | 21,197,283    | -            | -         | 21,197,283    |
| Tenant and leasehold improvements  | 683,947       | -            | -         | 683,947       |
| Other improvements   | 62,925        | 17,970       | -         | 80,895        |
| Capital improvements - LCC   | 847,724       | -            | -         | 847,724       |
| RRR - LCC  | 1,635,969     | 43,171       | -         | 1,679,140     |
| Total depreciable capital assets   | 24,427,848    | 61,141       | -         | 24,488,989    |
| Total capital assets   | 31,216,648    | 87,685       | -         | 31,304,333    |
| Less accumulated depreciation for:   |               |              |           |               |
| Buildings  | (7,386,416)   | (488,422)    |           | (7,874,838)   |
| Tenant and leasehold improvements  | (597,955)     | (25,635)     |           | (623,590)     |
| Other improvements   | (33,681)      | (5,542)      | -         | (39,223)      |
| Capital improvements - LCC   | (537,600)     | (85,926)     |           | (623,526)     |
| RRR - LCC  | (814,019)     | (127,695)    |           | (941,714)     |
| Total accumulated depreciation   | (9,369,671)   | (733,220)    | -         | (10,102,891)  |
| Business-type activities capital assets, net                               | \$ 21,846,977 | \$ (645,535) | \$ -      | \$ 21,201,442 |

\*restated

### 3-E. Interfund Transfers and Loans

Loans between funds are classified as either interfund loans receivable and payable or advances to and from other funds, depending on the time period for which the loan was made. The City uses interfund loans primarily to meet short term and temporary cash flow requirements while waiting for mitigation and grant reimbursements. Advances to and from other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements.

Interfund transfers for the year ended December 31, 2021, consisted of the following:

| TRANSFERS OUT                   | TRANSFERS IN                |                       |                                |                             |                                 | Total                |
|---------------------------------|-----------------------------|-----------------------|--------------------------------|-----------------------------|---------------------------------|----------------------|
|                                 | Transportation Capital Fund | Public Safety Capital | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Nonmajor Capital Projects Funds |                      |
| General Fund                    | \$ 1,125,000                | \$ -                  | \$ 1,118,028                   | \$ 1,656,516                | \$ 1,100,004                    | \$ 4,999,548         |
| Public Safety Capital           | -                           | -                     | 510,233                        | -                           | -                               | 510,233              |
| Water and Sewer Utility         | 88,725                      | -                     | -                              | -                           | -                               | 88,725               |
| Nonmajor Special Revenue Funds  | 7,216,193                   | 1,308,000             | 380,004                        | 500,004                     | 329,301                         | 9,733,502            |
| Nonmajor Capital Projects Funds | 3,033,834                   | -                     | -                              | 1,500,000                   | 1,453,595                       | 5,987,429            |
| <b>Total</b>                    | <b>\$ 11,463,752</b>        | <b>\$ 1,308,000</b>   | <b>\$ 2,008,265</b>            | <b>\$ 3,656,520</b>         | <b>\$ 2,882,900</b>             | <b>\$ 21,319,437</b> |

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted

for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide addition resources for current operations or debt services; and to return money to the fund from which it was originally provided once a project is completed.

Generally, all City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

Interfund Loans for the year ended December 31, 2021 consisted of the following:

| DUE TO |              | <u>DUE FROM</u>    |                   |
|--------|--------------|--------------------|-------------------|
|        |              | <u>Golf Course</u> | <u>Total</u>      |
|        | General Fund | \$ 985,000         | \$ 985,000        |
|        | Total        | <u>\$ 985,000</u>  | <u>\$ 985,000</u> |

Interfund loans provide one-time, short-term funding for equipment purchases and improvements from available and unassigned funds.

In July 2014, the City Council passed resolution 2014-07 approving a \$1.3 million loan from the General Fund to the Golf Fund for the Golf Fund’s temporary cash flow needs. In July 2016 resolution 2014-07 was rescinded and replaced with resolution 2016-12 for a new loan amount of \$1,850,000 and a fifteen-year loan payment schedule. The additional loan of \$550,000 was used to fund construction to add fifty additional parking lot spaces at the Golf Course. The additional loan was made in two installments, \$125,000 in 2016 and \$425,000 in 2017.

**3-F – Operating Leases**

Office, Warehouse, Storage Space, and Access Lease

The City leases office, warehouse, storage space, and property/land access are under non-cancellable operating leases. Total costs for these leases for the year ending December 31, 2021 was \$443,087 in governmental activities and \$63,844 in business-type activities. The future minimum lease payments are, as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|-------------------------------------|------------------------------------|-------------------------------------|
| 2022                                | 448,831                            | 64,895                              |
| 2023                                | 360,156                            | 65,550                              |
| 2024                                | 370,513                            | 66,214                              |
| 2025                                | 379,106                            | 66,883                              |
|                                     | <u>\$ 1,558,606</u>                | <u>\$ 263,542</u>                   |

Printers and Copiers

The City leases many office printers and copiers under non-cancellable operating leases. Total costs for these leases for the year ending December 31, 2021 was \$97,846 in governmental activities and \$5,522 in business-type activities. The future minimum lease payments for the non-cancellable leases are, as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|-------------------------------------|------------------------------------|-------------------------------------|
| 2022                                | 97,846                             | 5,522                               |
| 2023                                | 97,846                             | 5,522                               |
| 2024                                | 97,846                             | 5,522                               |
| 2025                                | 97,846                             | 5,522                               |
|                                     | <u>\$ 391,384</u>                  | <u>\$ 22,088</u>                    |

**3-G. Long-Term Debt**

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds. Debt service for voter-approved issues is funded with special property tax levies. Debt service

for City Council authorized (councilmanic) issues is funded from the General Fund, Real Estate Excise Tax Fund and Criminal Justice Fund.

Revenue Bonds are payable from revenues generated by the Water and Sewer Utility Fund.

The debt agreements for all long-term debt do not include terms related to significant events of default with finance-related consequences, termination events with finance-related consequences or subjective acceleration clauses.

**Changes in Long-term liabilities** - Changes in the City’s long-term obligations consisted of the following for the year ended December 31, 2021 (includes internal service fund):

|                                       | Outstanding<br>1/1/2021 | Additions            | Reductions          | Outstanding<br>12/31/2021 | Amounts Due<br>in One Year |
|---------------------------------------|-------------------------|----------------------|---------------------|---------------------------|----------------------------|
| <b>Governmental Activities</b>        |                         |                      |                     |                           |                            |
| 2012 general obligation bonds         | 20,415,000              | -                    | 895,000             | 19,520,000                | 930,000                    |
| 2021 general obligation bonds         | -                       | 49,315,000           | -                   | 49,315,000                | -                          |
| Unamortized premiums                  | -                       | 10,921,735           | -                   | 10,921,735                | -                          |
| Claims and judgements payable         | 157,097                 | 67,523               | -                   | 224,620                   | -                          |
| Compensated absences                  | 3,567,395               | 3,212,130            | 2,188,937           | 4,590,588                 | 3,217,580                  |
| Net pension liability                 | 6,516,674               | -                    | 3,908,859           | 2,607,815                 | -                          |
| Total OPEB liability                  | 10,668,568              | 224,766              | -                   | 10,893,334                | 455,304                    |
| <b>Total Governmental Activities</b>  | <b>\$ 41,324,734</b>    | <b>\$ 63,741,154</b> | <b>\$ 6,992,796</b> | <b>\$ 98,073,092</b>      | <b>\$ 4,602,884</b>        |
| <b>Business-Type Activities</b>       |                         |                      |                     |                           |                            |
| 2015 utility system revenue bonds     | 19,875,000              | -                    | 990,000             | 18,885,000                | 1,040,000                  |
| 2018 utility system revenue bonds     | 19,005,000              | -                    | 805,000             | 18,200,000                | 830,000                    |
| Unamortized premiums                  | 3,467,335               | -                    | 206,827             | 3,260,508                 | 206,828                    |
| Net pension liability                 | 1,352,828               | -                    | 1,036,571           | 316,257                   | -                          |
| Compensated absences                  | 576,050                 | 508,619              | 337,584             | 747,085                   | 521,723                    |
| <b>Total Business-Type Activities</b> | <b>\$ 44,276,213</b>    | <b>\$ 508,619</b>    | <b>\$ 3,375,982</b> | <b>\$ 41,408,850</b>      | <b>\$ 2,598,551</b>        |
| <b>Direct Placement Debt</b>          |                         |                      |                     |                           |                            |
| 2020 utility system revenue bonds     | 5,610,000               | -                    | 390,000             | 5,220,000                 | 410,000                    |
| <b>Total Direct Placement Debt</b>    | <b>\$ 5,610,000</b>     | <b>\$ -</b>          | <b>\$ 390,000</b>   | <b>\$ 5,220,000</b>       | <b>\$ 410,000</b>          |

Since internal service funds predominately serve the governmental funds, their long-term liabilities are included as part of the above totals for governmental activities. At year-end \$97,694 of internal service funds compensated absences are included in the above amounts. For the governmental activities, the General Fund, Special Revenue Funds, Capital Projects Funds, and Internal Service Funds generally liquidate accrued compensated absences, and the net pension liabilities. Nonmajor debt services funds have generally liquidated long-term debt liabilities. The general fund had liquidated other post-employment benefits liabilities.

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2021.

The annual total requirements to amortize the debt outstanding for general obligation, revenue bonds, and installment notes payable as of December 31, 2021, including interest, are as follows:

**General Obligation Debt**

| Year      | Governmental Activities |                     |                       |
|-----------|-------------------------|---------------------|-----------------------|
|           | Principal               | Interest            | Total                 |
| 2022      | 930,000                 | 2,741,763           | 3,671,763             |
| 2023      | 1,925,000               | 2,712,438           | 4,637,438             |
| 2024      | 1,995,000               | 2,645,038           | 4,640,038             |
| 2025      | 2,065,000               | 2,573,900           | 4,638,900             |
| 2026      | 2,145,000               | 2,491,300           | 4,636,300             |
| 2027-2031 | 12,000,000              | 11,200,888          | 23,200,888            |
| 2032-2036 | 14,675,000              | 8,517,463           | 23,192,463            |
| 2037-2041 | 10,930,000              | 5,647,200           | 16,577,200            |
| 2042-2046 | 11,345,000              | 3,560,800           | 14,905,800            |
| 2047-2050 | 10,825,000              | 1,103,800           | 11,928,800            |
| Total     | <u>\$68,835,000</u>     | <u>\$43,194,588</u> | <u>\$ 112,029,588</u> |

**Revenue Bonds**

| Year      | Business Type Activities |                     |                      |
|-----------|--------------------------|---------------------|----------------------|
|           | Principal                | Interest            | Total                |
| 2022      | 1,870,000                | 1,538,238           | 3,408,238            |
| 2023      | 1,960,000                | 1,453,038           | 3,413,038            |
| 2024      | 2,045,000                | 1,363,738           | 3,408,738            |
| 2025      | 2,150,000                | 1,261,488           | 3,411,488            |
| 2026      | 2,240,000                | 1,172,888           | 3,412,888            |
| 2027-2031 | 11,720,000               | 4,590,219           | 16,310,219           |
| 2032-2036 | 12,270,000               | 2,159,138           | 14,429,138           |
| 2037-2041 | 2,830,000                | 214,000             | 3,044,000            |
| Total     | <u>\$37,085,000</u>      | <u>\$13,752,744</u> | <u>\$ 50,837,744</u> |

**Direct Placement Debt**

| Year      | Business Type Activities |                   |                     |
|-----------|--------------------------|-------------------|---------------------|
|           | Principal                | Interest          | Total               |
| 2022      | 410,000                  | 75,690            | 485,690             |
| 2023      | 410,000                  | 69,745            | 479,745             |
| 2024      | 415,000                  | 63,800            | 478,800             |
| 2025      | 420,000                  | 57,783            | 477,783             |
| 2026      | 430,000                  | 51,693            | 481,693             |
| 2027-2031 | 3,135,000                | 124,048           | 3,259,048           |
| Total     | <u>\$ 5,220,000</u>      | <u>\$ 442,758</u> | <u>\$ 5,662,758</u> |

**Governmental Activities General Obligation Bonds** – The City has two outstanding general obligation bond issues that were issued to fund the construction of two capital improvement projects.

**Series 2012 General Obligation Bonds** - On February 27, 2012 the City issued 25-year Limited Tax General Obligation Bonds for renovating, improving, and expanding the City’s Recreation Center in the amount of \$24,955,000. Annual principal payments range from \$285,000 to \$1,595,000, with interest varying from 2% to 4%, paid semi-annually. The final principal and interest payment is scheduled for 2037. These bonds carry a Standard and Poor’s rating of AA+.

**Series 2021 General Obligation Bonds** – On June 24, 2021 the City issued 30-year Limited Tax General Obligation Bonds for constructing the City’s Community Justice Center (CJC) in the amount of \$49,315,000. Annual principal payments range from

\$965,000 to \$2,870,000, with interest varying from 4% to 5%, paid semi-annually. The final principal and interest payment is scheduled for 2050. These bonds carry a Standard and Poor's rating of AA+.

**Business-type Activities – Revenue Bonds** – The City has three outstanding revenue bond issues that were issued to fund the design and construction of various utility improvement projects.

**2015 Utility Improvement Refunding Bonds** - The 2015 Utility System Revenue Bonds were issued on October 28, 2015. The proceeds from the sale of the bonds were utilized to redeem the City's Utility System Revenue Bond Anticipation Note and finance a portion of the carrying out of a Plan of additions, betterments, and extensions of the utility system. Some of the projects included in the Plan of Additions are general system improvements including water meter reading system upgrade and replacement, sewer facility replacements, installations and upgrades, wastewater treatment plant system upgrades, and storm water utility improvements. A portion of the proceeds also funds issuance and reserve costs associated with the sale. Annual principal payments range from \$695,000 to \$1,645,000 with interest varying from 2.375% to 5.0%. Revenue is provided by the City's Utility Fund by adjusting rates for water, sewer, and storm water services. These bonds carry a Standard and Poor's rating of AA.

**2018 Utility System Revenue and Refunding Bonds** - The Utility System Revenue and Refunding Bonds, 2018 were issued on October 10, 2018. Gross proceeds of \$22,988,959 consisted of bonds with a face value of \$20,380,000 and bond premium of \$2,608,959. Approximately \$18.3 million of the bond proceeds are to be used for the sewer system projects including upgrades and improvements to lift stations, wastewater treatment plant upgrades and other improvements, to the system as outlined in the Utility Capital Facilities Plan. \$1.335 million from the sale of the bonds was utilized to refund the 2008 Utility System Revenue Bonds in a current refunding. A portion of the proceeds also funded issuance costs associated with the sale. In addition to the 2018 bonds the insurance coverage also released the reserve requirements on the 2010 and 2015 bond issues. Annual principal payments range from \$605,000 to \$1,450,000 with interest varying from 4.00% to 5.0%. The final maturity date is December 1, 2038 and the bonds are callable as early as June 1, 2028. Revenue is provided by the City's Utility Fund by adjusting rates for water, sewer, and storm water services. These bonds carry a Standard and Poor's rating of AA.

**2020 Utility System Revenue Refunding Bonds** - On October 22, 2020, the City issued 10-year Utility System Revenue Refunding Bonds in the amount of \$5,610,000 to refund \$5,905,000 of the 2010 Utility Improvement Refunding Bonds which were issued on November 9, 2010. The proceeds from the sale of the bonds were utilized to carry out the Plan of Additions, which is a portion of the capital improvement plan. Some of the projects included in the Plan of Additions are general System improvements consisting of the installation of a computerized monitoring and control system; water improvements including meter, fire hydrant and water main replacements; sewer improvements consisting of upgrades to the main plant drain station and the treatment plant; and storm water improvements including storm basin studies and transportation and storm pipe replacement.. Annual principal payments range from \$390,000 to \$910,000, with 1.45% interest paid semi-annually. The refunding resulting in Net Present Value Savings of \$833,467. The final principal and interest payment is scheduled for 2030. These bonds were sold via direct placement and not rated.

**Asset Retirement Obligations (ARO)** - Some tangible capital assets, including the wastewater treatment plant and water wells have been identified as having a legally enforceable liability associated with the retirement of a tangible capital asset, but the liability is not yet reasonably estimable. Estimates are not currently available as the city has no past experience decommissioning these types of assets, or the assets are maintained indefinitely so an estimated remaining useful life is unknown. Once the liability is reasonably estimable, the city will record a liability for the obligation.

**Contingent Liability for Public Facilities District (PFD) non-exchange transaction.** (Please see Note 4-C – *Contingent Liabilities.*)

|  | Outstanding<br>1/1/2021 | Additions        | Reductions          | Outstanding<br>12/31/2021 | Amounts Due<br>in One Year |
|--|-------------------------|------------------|---------------------|---------------------------|----------------------------|
| Business-Type Activities                     |                         |                  |                     |                           |                            |
| General Obligation Bonds (Private Placement) | 5,485,400               | -                | 1,068,900           | 4,416,500                 | 1,108,300                  |
| Revenue Bonds                                | 13,770,000              | -                | 895,000             | 12,875,000                | 985,000                    |
| Premium on Revenue Bonds                     | 747,014                 | -                | 53,359              | 693,655                   | 53,358                     |
| Compensated absences                         | 3,611                   | 19,474           | -                   | 23,085                    | 11,543                     |
| Environmental Remediation                    | 5,840,013               | -                | 220,021             | 5,619,992                 | -                          |
| Net pension liability                        | 95,397                  | -                | 78,763              | 16,634                    | -                          |
| Total OPEB liability                         | 96,519                  | -                | 32,402              | 64,117                    | -                          |
| Total Business-Type Activities               | <u>\$ 26,037,954</u>    | <u>\$ 19,474</u> | <u>\$ 2,348,445</u> | <u>\$ 23,708,983</u>      | <u>\$ 2,158,201</u>        |

For the Lynnwood Public Facility District (PFD) component unit, the debt service requirements to maturity for general obligation bonds are as follows:

|             | Revenue Bonds        |                     | GO Bonds (Private Placement) |                   | Total                |
|-------------|----------------------|---------------------|------------------------------|-------------------|----------------------|
|             | Principal            | Interest            | Principal                    | Interest          |                      |
| 2022        | 985,000              | 546,888             | 1,108,300                    | 109,529           | 2,749,717            |
| 2023        | 1,095,000            | 497,638             | 1,148,500                    | 82,043            | 2,823,181            |
| 2024        | 1,200,000            | 457,944             | 1,188,200                    | 53,561            | 2,899,704            |
| 2025        | 1,185,000            | 414,444             | 971,500                      | 24,093            | 2,595,037            |
| 2026        | 1,820,000            | 355,194             | -                            | -                 | 2,175,194            |
| 2027 - 2031 | 3,650,000            | 1,046,819           | -                            | -                 | 4,696,819            |
| 2032 - 2034 | 2,940,000            | 225,375             | -                            | -                 | 3,165,375            |
| Total       | <u>\$ 12,875,000</u> | <u>\$ 3,544,300</u> | <u>\$ 4,416,500</u>          | <u>\$ 269,226</u> | <u>\$ 21,105,026</u> |

### 3-H. Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2021:

| Aggregate Pension Amounts – All Plans |                |
|---------------------------------------|----------------|
| Pension liabilities                   | \$ (2,924,072) |
| Pension assets                        | 32,153,665     |
| Deferred outflows of resources        | 5,635,261      |
| Deferred inflows of resources         | (25,369,741)   |
| Pension expense/expenditures          | (5,642,576)    |

### State Sponsored Pension Plans

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

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

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

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The direct link for the 2021 ACFR is <https://www.drs.wa.gov/wp-content/uploads/2021/06/2021-ACFR.pdf>.

### Public Employees’ Retirement System (PERS)

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24



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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| <b>PERS Plan 1</b>               |                 |                  |
|----------------------------------|-----------------|------------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee*</b> |
| January – June 2021              |                 |                  |
| PERS Plan 1                      | 7.92%           | 6.00%            |
| PERS Plan 1 UAAL                 | 4.87%           |                  |
| Administrative Fee               | 0.18%           |                  |
| <b>Total</b>                     | <b>12.97%</b>   | <b>6.00%</b>     |
| July – December 2021             |                 |                  |
| PERS Plan 1                      | 10.07%          | 6.00%            |
| Administrative Fee               | 0.18%           |                  |
| <b>Total</b>                     | <b>10.25%</b>   | <b>6.00%</b>     |

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old are eligible to retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

## Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| <b>PERS Plan 2/3</b>             |                     |                    |
|----------------------------------|---------------------|--------------------|
| <b>Actual Contribution Rates</b> | <b>Employer 2/3</b> | <b>Employee 2*</b> |
| January – June 2021              |                     |                    |
| PERS Plan 2/3                    | 7.92%               | 7.90%              |
| PERS Plan 1 UAAL                 | 4.87%               |                    |
| Administrative Fee               | 0.18%               |                    |
| Employee PERS Plan 3             |                     | Varies             |
| <b>Total</b>                     | <b>12.97%</b>       | <b>7.90%</b>       |
| July – December 2021             |                     |                    |
| PERS Plan 2/3                    | 6.36%               | 6.36%              |
| PERS Plan 1 UAAL                 | 3.71%               |                    |
| Administrative Fee               | 0.18%               |                    |
| Employee PERS Plan 3             |                     | Varies             |
| <b>Total</b>                     | <b>10.25%</b>       | <b>6.36%</b>       |

The City's actual PERS plan contributions were \$859,699 for to PERS 1 and \$1,333,537 to PERS 2/3 for the year ended December 31, 2021.

### **Public Safety Employees' Retirement System (PSERS)**

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2021 were as follows:

| <b>PSERS Plan 2</b>              |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee</b> |
| January – June 2021              |                 |                 |
| PSERS Plan 2                     | 7.20%           | 7.20%           |
| PERS Plan 1 UAAL                 | 4.87%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>12.25%</b>   | <b>7.20%</b>    |
| July – December 2021             |                 |                 |
| PSERS Plan 2                     | 6.50%           | 6.50%           |
| PERS Plan 1 UAAL                 | 3.71%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>10.39%</b>   | <b>6.50%</b>    |

The City’s actual contributions to the plan were \$77,540 for PSERS Plan 2 for the year ended December 31, 2021.

**Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)**

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

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

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| <b>LEOFF Plan 2</b>              |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee</b> |
| January – June 2021              |                 |                 |
| State and local governments      | 5.15%           | 8.59%           |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>5.33%</b>    | <b>8.59%</b>    |
| July – December 2021             |                 |                 |
| State and local governments      | 5.12%           | 8.53%           |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>5.30%</b>    | <b>8.53%</b>    |

The City’s actual contributions to the plan were \$422,246 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$285,593.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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:** 7.40%

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 of 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### Discount Rate

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

To determine that rate, an asset sufficiency test 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 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's 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, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

**Sensitivity of Net Pension Liability/(Asset)**

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

|          | <b>1% Decrease<br/>(6.4%)</b> | <b>Current Discount Rate<br/>(7.4%)</b> | <b>1% Increase<br/>(8.4%)</b> |
|----------|-------------------------------|---|-------------------------------|
| PERS 1   | \$ 2,699,206                  | \$ 1,584,453                            | \$ 612,275                    |
| PERS 2/3 | (4,399,974)                   | (15,444,977)                            | (24,540,541)                  |
| PSERS 2  | (63,773)                      | (406,762)                               | (678,221)                     |
| LEOFF 1  | (3,063,187)                   | (3,402,542)                             | (3,696,142)                   |
| LEOFF 2  | (8,134,361)                   | (12,899,384)                            | (16,800,987)                  |

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2021, the City reported a total pension liability of \$1,584,453 and a total pension asset of \$32,153,665 which consists of its proportionate share of the net pension liabilities and assets as follows:

|          | <b>Liability (or Asset)</b> |
|----------|-----------------------------|
| PERS 1   | \$ 1,584,453                |
| PERS 2/3 | (15,444,977)                |
| PSERS 2  | (406,762)                   |
| LEOFF 1  | (3,402,542)                 |
| LEOFF 2  | (12,899,384)                |

The amount of the asset reported above for LEOFF Plan 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 liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

|   | <b>LEOFF 1 (Asset)</b> | <b>LEOFF 2 (Asset)</b> |
|---|------------------------|------------------------|
| LEOFF – employer’s proportionate share  | \$ (3,402,542)         | \$ (12,899,384)        |
| LEOFF – State’s proportionate share of the net pension liability/(asset) associated with the employer | \$ (23,014,711)        | \$ (8,321,511)         |
| <b>TOTAL</b>  | <b>\$ (26,417,253)</b> | <b>\$ (21,220,895)</b> |

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

|          | <b>Proportionate Share 6/30/20</b> | <b>Proportionate Share 6/30/21</b> | <b>Change in Proportion</b> |
|----------|------------------------------------|------------------------------------|-----------------------------|
| PERS 1   | .131507%                           | .129742%                           | (.001765%)                  |
| PERS 2/3 | .158922%                           | .155045%                           | (.003877%)                  |
| PSERS 2  | .192976%                           | .177054%                           | (.015922%)                  |
| LEOFF 1  | .099087%                           | .099328%                           | .000241%                    |
| LEOFF 2  | .229167%                           | .222081%                           | (.007086%)                  |

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

### Pension Expense

For the year ended December 31, 2021, the City recognized pension expense in the state sponsored plans as follows:

|          | Pension Expense |
|----------|-----------------|
| PERS 1   | \$ (359,662)    |
| PERS 2/3 | \$ (3,498,417)  |
| PSERS 2  | \$ (15,837)     |
| LEOFF 1  | \$ (511,163)    |
| LEOFF 2  | \$ (1,307,832)  |
| TOTAL    | \$ (5,692,911)  |

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <i>PERS 1</i>   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments |                                | \$1,758,213                   |
| Contributions subsequent to the measurement date  | \$ 401,849                     |                               |
| TOTAL   | \$ 401,849                     | \$1,758,213                   |

| <i>PERS 2/3</i>  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 750,140                     | \$189,340                     |
| Net difference between projected and actual investment earnings on pension plan investments          |                                | 12,908,378                    |
| Changes of assumptions   | 22,570                         | 1,096,849                     |
| Changes in proportion and differences between contributions and proportionate share of contributions | 185,716                        | 351,283                       |
| Contributions subsequent to the measurement date   | 639,491                        |                               |
| TOTAL  | \$ 1,597,917                   | \$ 14,545,850                 |

| <i>PSERS 2</i>   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 41,739                      | \$ 1,608                      |
| Net difference between projected and actual investment earnings on pension plan investments          |                                | 291,365                       |
| Changes of assumptions   | 63                             | 41,593                        |
| Changes in proportion and differences between contributions and proportionate share of contributions | 8,583                          | 4,336                         |
| Contributions subsequent to the measurement date   | 38,273                         |                               |
| TOTAL  | \$ 88,659                      | \$ 338,901                    |

| <i>LEOFF 1</i>  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments | \$ 0                           | \$ 1,039,686                  |
| <b>TOTAL</b>  | <b>\$ 0</b>                    | <b>\$ 1,039,686</b>           |

| <i>LEOFF 2</i>   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 585,067                     | \$ 68,172                     |
| Net difference between projected and actual investment earnings on pension plan investments          |                                | 6,150,519                     |
| Changes of assumptions   | 5,576                          | 613,495                       |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,135,337                      | 240,822                       |
| Contributions subsequent to the measurement date   | 219,626                        |                               |
| <b>TOTAL</b>   | <b>\$ 2,945,606</b>            | <b>\$ 7,073,009</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 year ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended<br/>December 31:</b> | <i>PERS 1</i> |
|------------------------------------|---------------|
| 2022                               | \$ (465,751)  |
| 2023                               | \$ (426,797)  |
| 2024                               | \$ (403,554)  |
| 2025                               | \$ (462,111)  |
| Thereafter                         | \$ --         |

| <b>Year ended<br/>December 31:</b> | <i>PERS 2/3</i> |
|------------------------------------|-----------------|
| 2022                               | \$ (3,525,905)  |
| 2023                               | \$ (3,293,984)  |
| 2024                               | \$ (3,207,395)  |
| 2025                               | \$ (3,469,093)  |
| 2026                               | \$ (85,895)     |
| Thereafter                         | \$ (5,152)      |

| <b>Year ended<br/>December 31:</b> | <i>PSERS</i> |
|------------------------------------|--------------|
| 2022                               | \$ (75,708)  |
| 2023                               | \$ (71,680)  |
| 2024                               | \$ (67,985)  |
| 2025                               | \$ (75,498)  |
| 2026                               | \$ 171       |
| Thereafter                         | \$ 2,185     |



| <b>Year ended<br/>December 31:</b> | <b>LEOFF 1</b> |
|------------------------------------|----------------|
| 2022                               | \$ (276,178)   |
| 2023                               | \$ (252,615)   |
| 2024                               | \$ (238,366)   |
| 2025                               | \$ (272,527)   |
| Thereafter                         | \$ --          |

| <b>Year ended<br/>December<br/>31:</b> | <b>LEOFF2</b>  |
|--|----------------|
| 2022                                   | \$ (1,380,848) |
| 2023                                   | \$ (1,268,979) |
| 2024                                   | \$ (1,184,455) |
| 2025                                   | \$ (1,366,475) |
| 2026                                   | \$ 237,440     |
| Thereafter                             | \$ 616,288     |

### **Historical funding source for liquidating Department of Retirement Systems Pension Obligations**

Historically the Pension Obligations have been liquidated with pension contributions paid by the City in proportion to and by each of the Funds that incurred the underlying covered payroll expenses/expenditures.

### **City Sponsored Pension Plan - Firemen's Pension Plan**

The City is the administrator of the Firemen's Pension System, which is shown as a pension trust fund in the City's financial statements. The Firemen's Pension System is a single-employer, closed defined benefit pension system that was established in conformance with Revised Code of Washington (RCW) Chapter 41.18. Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established.

Management of the Firemen's Pension System is vested in the Pension Board which consists of the Mayor (Chair), Finance Director, Assistant Treasurer, two firefighters (active or retired) to be elected by the firefighters subject to the jurisdiction of the board, and one alternate. Board members serve two-year terms.

### **Plan membership**

At December 31, 2021, pension plan membership consisted of four (4) inactive plan members currently receiving benefits. The pension plan is closed to new entrants.

### **Benefits provided**

The City's liability under the Firemen's Pension System consists of all benefits, including payments to beneficiaries, for firemen retired prior to March 1, 1970, and excess benefits over amounts provided by LEOFF for covered fire fighters retired after March 1, 1970. Under the Firemen's Pension System, eligible fire fighters may retire at age 50 with 25 years of service. Death and disability benefits are also provided, as established under the governing State law. Individuals who terminate employment prior to retirement may withdraw their contributions to the plan plus accumulated interest, but by doing so, forfeit their rights to future pension benefits.

### **Key Elements of Pension Formulas**

The City is responsible for the portion of member monthly pension benefits due to members per RCW 41.16 but not paid directly by the State. The funding formula is based on years of service, type of retirement plan for each member, current employment or union contract agreements for firefighter union plus adjustments for cost of living and longevity.

### **Funding**

The Authority under which benefit terms were established, may be amended, and the types of benefits provided through the Firefighters' Pension Fund lies with the Revised Code of Washington (RCW) 41.16 and 41.18, the statutes establishing FPF, and RCW 41.26, the statute establishing the Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF).

Contributions to the fund currently include the following sources, as described in RCW 41.16.050:

1. Bequests, fees, gifts, emoluments or donations.
2. Forty-five percent of all monies received by the State from taxes on fire insurance premiums, prior to January 1, 2000. Twenty-five percent after January 1, 2000.
3. Taxes paid pursuant to the provisions of RCW.41.16.060 require that each municipality levy up to \$0.45 (only \$0.225 of which can be in excess of the property tax limit pursuant to RCW 84.52.043) per \$1,000 of assessed valuation, based on reports by a qualified actuary, to maintain the Fund.
4. Interest on the investments of the Fund.
5. Contributions by firefighters as provided herein.

**Assumptions and Other Inputs**

As of December 31, 2021, the FPF had \$251,001 in cash and cash equivalents invested in the City’s internal investment pool and short-term investments. Investments in the City’s internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. All investments are valued at fair value. Investment activities of the FPF are co-mingled with the City of Lynnwood treasury and therefore are included in the City’s investment policy addressed in Note 3-A.

As of December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of investment expenses, was 0.63 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period.

The net pension liability was measured as of December 31, 2021, and the actuarial valuation date on which the total pension liability is based was as of December 31, 2021.

- **Discount rate:** 2.00% - Rate applied in the measurement of the total pension liability
- **Inflation:** 2.50% - total economic inflation, 3.00% wage inflation.
- **Investment rate of return:** 2.00% - Composite rate is based on the expected return on long-term municipal bonds and is used for both the funded and unfunded liability.
- **Actuarial Cost Method:** Entry Age Normal
- The mortality table used, PRI-2012, is projected using MP-2021 projection scale.
- The table below presents the City’s net pension liability calculated using the discount rate of 2.00% as well as what the pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.00%) or 1-percentage point higher (3.00%) than the current rate:

|                       | 1%<br>Decrease | Current<br>Disc. Rate | 1%<br>Increase |
|-----------------------|----------------|-----------------------|----------------|
|                       | 1.00%          | 2.00%                 | 3.00%          |
| Net Pension Liability | \$1,504,837    | \$1,339,619           | \$1,197,661    |

**Changes in the Net Pension Liability**

|  | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(a) – (b) |
|--|--------------------------------|------------------------------------|------------------------------------|
| <b>Balances at 12/31/2020</b>  | <b>\$1,500,533</b>             | <b>\$300,592</b>                   | <b>\$ 1,199,941</b>                |
| <b>Changes for the year:</b>   |                                |                                    |                                    |
| Service Cost   | -                              | -                                  | -                                  |
| Interest   | 28,835                         | -                                  | 28,835                             |
| Changes in assumptions   | (273,131)                      | -                                  | (273,131)                          |
| Differences between expected and actual experience                         | 451,949                        | -                                  | 451,949                            |
| Contributions – employer   | -                              | 68,741                             | (68,741)                           |
| Contributions – employees  | -                              | -                                  | -                                  |
| Net investment income  |                                | 1,734                              | (1,734)                            |
| Benefit payments and withdraws (pension expense)                           | (117,566)                      | (117,566)                          | -                                  |
| Administrative expense   |                                | (2,500)                            | 2,500                              |
| Other changes  | -                              | -                                  | -                                  |
| <b>Net changes</b>   | <b>90,087</b>                  | <b>(49,591)</b>                    | <b>139,678</b>                     |
| <b>Balance at 12/31/2021</b>   | <b>\$1,590,620</b>             | <b>\$251,001</b>                   | <b>\$1,339,619</b>                 |
| Plan fiduciary net position as a percentage of the total pension liability |                                | <b>15.8%</b>                       |                                    |

**Pension Expense and Deferred Inflows and Outflows of Resources**

|  | Pension Expense |
|--|-----------------|
| Pension expense recognized for fiscal year ending 2020 | \$86,773        |
| Pension expense recognized for fiscal year ending 2021 | \$50,335        |

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience  | \$ 237,130                     | (492,077)                     |
| Net difference between projected and actual investment earnings on pension plan investments | 7,194                          | -                             |
| Changes of assumptions  | 356,907                        | (121,995)                     |
| Contributions subsequent to the measurement date  | -                              | -                             |
| <b>TOTAL</b>  | <b>\$ 601,231</b>              | <b>\$ (614,083)</b>           |

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | Amount    |
|-------------------------|-----------|
| 2022                    | \$ 22,567 |
| 2023                    | 21,363    |
| 2024                    | (10,638)  |
| 2025                    | 7,304     |
| 2026                    | (27,900)  |
| Thereafter              | (25,548)  |

**3-I. Other Post-Employment Benefits**

Financial reporting for the LEOFF 1 retiree healthcare plan is included in the City’s Annual Comprehensive Financial Report. The plan does not issue stand-alone financial statements.

The following table represents the OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2021:

|                                |               |
|--------------------------------|---------------|
| OPEB Liabilities               | \$ 10,893,334 |
| OPEB Assets                    | \$ 0          |
| Deferred Outflows of Resources | \$ 227,652    |
| Deferred Inflows of Resources  | \$ 0          |
| OPEB Expense                   | \$ 651,393    |

**Annual OPEB Cost and Total OPEB Obligation**

*OPEB Plan Description:*

- a. The city administers LEOFF 1 Retiree Medical and Long-Term Care Benefits, a single-employer defined benefit plan.
- b. In accordance with the Revised Code of Washington (RCW) 41.26, the City provides post-retirement health care benefits for members of the Law Enforcement Officers and Firefighters (LEOFF) Plan 1 retirement system hired prior to October 1, 1977. The plan is a closed, single-employer defined benefit healthcare plan administered by the City. The City provides medical, vision, and long-term care insurance, and reimburses for all Board approved claims for medical, dental, vision, and hospitalization costs not covered by standard benefit plan provisions.
- c. Employees covered by benefit terms – At December 31, 2021, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 20 |
| Inactive employees entitled to but not yet receiving benefits    | 0  |
| Active employees   | 0  |
| Total  | 20 |

- d. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.
- e. Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. During the year City contributed \$244,085 in medical payments and reimbursements.

*Assumptions and Other Inputs:*

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the GASB 75 Alternative Measurement Method for LEOFF 1 using the Office of the State Actuary's AMM Online Tool.

Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2020, actuarial valuation report issued by the Office of the State Actuary (OSA).

The actuarial valuations involve estimates of the value of reported amounts and assumptions of the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

| <b>Methodology</b>   |  |
|--|--|
| Actuarial Valuation Date   | 6/30/2021  |
| Actuarial Measurement Date                                       | 6/30/2021  |
| Actuarial Cost Method  | Entry Age <sup>1</sup>   |
| Amortization Method  | Recognized Immediately   |
| Asset Valuation Method   | N/A (No Assets)  |
| <b>Assumptions</b>   |  |
| <b>Discount Rate<sup>2</sup></b>                                 |  |
| Beginning of Measurement Year                                    | 2.21%  |
| End of Measurement Year  | 2.16%  |
| <b>Healthcare Trend Rates<sup>3</sup></b>                        |  |
| Medical Costs  | Initial rate is about 5.3%, trends down to about 5.0% in the 2020's. |
| Long-Term Care   | 4.5%   |
| Medicare Part B Premiums   | Approximately 5.0%, varies by year.                                  |
| <b>Mortality Rates (Assume 100% Male Population)<sup>1</sup></b> |  |
| Base Mortality Table   | PubS.H-2010 (Public Safety)<br>Blended 50%/50% Healthy/Disabled      |
| Age Setback  | -1 year Healthy / 0 years Disabled                                   |
| Mortality Improvements   | MP-2017 Long-Term Rates  |
| Projection Period  | Generational   |
| <b>Medicare Participation Rate</b>                               | <b>100%</b>  |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

|                      | 1% Decrease  | Current Healthcare Cost Trend Rate (5.3%) | 1% Increase  |
|----------------------|--------------|---|--------------|
| Total OPEB Liability | \$ 9,830,861 | \$ 10,893,334                             | \$12,117,013 |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the City calculated using the discount rate of 2.21 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) that the current rate.

|                      | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|---------------------|-------------------------------|---------------------|
| Total OPEB Liability | \$ 12,215,647       | \$10,893,334                  | \$ 9,774,316        |

*Changes in Total OPEB Liability*

|  |               |
|--|---------------|
| <b>LEOFF 1 Retiree Medical and Long-Term Care Benefits</b> |               |
| Total OPEB Liability at 01/01/2021                         | \$10,668,568  |
| Service cost   | 0             |
| Interest   | 231,087       |
| Changes of benefit terms                                   | 0             |
| Changes in experience data and assumptions                 | 420,306       |
| Benefit payments   | (426,627)     |
| Other changes  |               |
| Total OPEB Liability at 12/31/2021                         | \$ 10,893,334 |

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Changes in experience data and assumptions |                                   | \$ 0                             |
| Payments subsequent to measurement date    | \$ 227,652                        |                                  |

Deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB in the year ended December 31, 2022.

**3-J. Fund Equity**

**Fund Balances** – Fund balances are classified as follows:

- **Nonspendable** – The following fund balances are nonspendable because they are not in spendable form:

**General Fund:**

|                 |                  |
|-----------------|------------------|
| Prepaid Postage | \$ 39,564        |
|                 | <u>\$ 39,564</u> |

- **Restricted** – The following fund balances are legally restricted to specified purposes:

**Transportation Capital Fund:**

|                  |                     |
|------------------|---------------------|
| Capital Projects | \$ 3,045,261        |
|                  | <u>\$ 3,045,261</u> |

**Public Safety Capital Fund:**

|                  |                      |
|------------------|----------------------|
| Capital Projects | \$ 55,579,835        |
|                  | <u>\$ 55,579,835</u> |

**Nonmajor Governmental Funds:**

|                                    |              |
|------------------------------------|--------------|
| Capital Projects                   | \$ 4,337,536 |
| Drug Enforcement/Criminal Justice  | 2,199,641    |
| Debt Service                       | 1,232,632    |
| Park Improvements                  | 7,131,371    |
| Recreation programs for low income | 112,734      |
| Tourism promotion                  | 798,229      |
| Street and paths improvements      | 4,967,300    |
| Solid Waste Management             | 95,434       |
| Supportive Housing                 | 318,141      |

|  |                      |
|--|----------------------|
| <b>Total Nonmajor Governmental Funds</b> | <u>\$ 21,193,018</u> |
|--|----------------------|

- **Committed** – The following fund balances are committed to specific purposes:

|                                       |                     |
|---------------------------------------|---------------------|
| <b>General Fund:</b>                  |                     |
| Revenue Stabilization                 | \$ 6,000,000        |
| <b>Total General Fund</b>             | <u>\$ 6,000,000</u> |
| <b>Other Governmental Funds:</b>      |                     |
| Capital Projects                      | \$ 1,504,220        |
| Tree Reserve                          | 236,485             |
| Art Reserve                           | 554,860             |
| Aid Car Reserve                       | 16,797              |
| <b>Total Other Governmental Funds</b> | <u>\$ 2,312,362</u> |

- **Assigned** – The following fund balances are assigned to specific purposes:

|                      |                     |
|----------------------|---------------------|
| <b>General Fund:</b> |                     |
| Economic Development | <u>\$ 9,818,547</u> |

**Net Investment in Capital Assets** – The net investment in capital assets, reported on the government-wide statement of net position as of December 31, 2021 is as follows:

|   | Governmental<br>Activities | Business-<br>type<br>Activities |
|---|----------------------------|---------------------------------|
| Net investment in capital assets:       |                            |                                 |
| Total capital assets                    | \$ 276,640,173             | \$ 160,783,485                  |
| Less accumulated depreciation           | <u>(102,929,554)</u>       | <u>(57,798,977)</u>             |
| Net capital assets                      | 173,710,619                | 102,984,508                     |
| Less: accounts payable                  | (1,227,634)                | (594,414)                       |
| Less: retainage payable                 | -                          | (15,894)                        |
| Add: unspent bond proceeds              | 55,026,313                 | -                               |
| Less: deferred inflow-gain on refunding | -                          | (115,274)                       |
| Less: capital related debt              | (68,835,000)               | (42,305,000)                    |
| Less: unamortized bond premium          | <u>(10,921,735)</u>        | <u>(3,260,508)</u>              |
| Net investment in capital assets        | <u>\$ 147,752,563</u>      | <u>\$ 56,693,418</u>            |

#### 4-A. Risk Management

The City became a member of the Washington Cities Insurance Authority (WCIA) on December 1, 2019. Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 166 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, with a \$50,000 deductible. 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance 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.

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 day-to-day operations of WCIA.

The claims and judgment payable reported in the schedule Changes in Long Term Liabilities in Note 3-G represents total deductibles of outstanding claims at the end of the year.

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.

#### ***4-B. Health and Welfare***

The City of Lynnwood 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, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

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 experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 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 Intermediary Insurance Services. 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 ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### ***4-C. Contingent Liabilities***

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City was a defendant in several lawsuits at December 31, 2021. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

The Lynnwood Public Facilities District issued \$25,482,100 Convention Center revenue and sales tax refunding bonds to defease the District's 2004 and 2005 bonds and to finance the capital construction needed at the Convention Center. On April 15, 2015, the District issued \$15.605 million refunded revenue bonds maturing on December 1, 2034 with an average interest rate of 3.57% with a net present value savings of \$2.059 million. On June 15, 2015, the District issued \$9.877 million sales tax bonds with an interest rate of 2.48% with a net present value savings of \$1.069 million. On behalf of the District, the City is contingently liable for these bonds, and to date, the District is capable of paying these bonds from hotel/motel tax revenue and revenue generated from the convention center.

#### ***4-D. Joint Ventures and Jointly Governed Organizations***

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of 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 (5) years bears to the total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the City of Lynnwood's share was \$1,140,754 on December 31, 2021. This value has been recorded in the government-wide statements as an asset for the year ended December 31, 2021.

Snohomish County 911's 2021 operating budget was \$24,429,390, operating revenues received were \$25,450,056 and total operating expenditures were \$23,395,721 Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

**ALLIANCE FOR HOUSING AFFORDABILITY (AHA)** - In September 2013, the City of Lynnwood joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, 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 the 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 prior 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 Lynnwood's equity share to date is:

| Fiscal Year<br>(7/1/xx-6/30/xx) | AHA<br>Budget | City's Share of AHA's Budget |            |
|---------------------------------|---------------|------------------------------|------------|
|                                 |               | Amount                       | Percentage |
| 2014                            | \$92,543      | \$2,151                      | 2.39%      |
| 2015                            | \$123,464     | \$2,216                      | 2.29%      |
| 2016                            | \$145,590     | \$2,143                      | 1.47%      |
| 2017                            | \$97,934      | \$3,173                      | 5.40%      |
| 2018                            | \$102,586     | \$3,455                      | 5.30%      |
| 2019                            | \$107,391     | \$3,686                      | 5.20%      |
| 2020                            | \$112,408     | \$3,891                      | 5.10%      |
| 2021                            | \$117,673     | \$3,996                      | 5.40%      |
| 2022                            | \$118,200     | \$4,096                      | 5.10%      |

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

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 98204 (email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

**Joint Recreation Facilities** - The City of Lynnwood, the City of Edmonds, Snohomish County and Edmonds School District No. 15 entered into an agreement to develop Meadowdale Playfields and Recreation Complex. The Edmonds School District provided a 25-acre site adjacent to Meadowdale Elementary; and Meadowdale Middle School (at 66<sup>th</sup> Ave W and 168<sup>th</sup> St SW) The City of Lynnwood is responsible for the maintenance of the complex and bills 50% of the associated costs to the City of Edmonds on a bi-annual basis.

#### **4-E. Tax Abatements**

On May 29, 2007, the City Council adopted Ordinance 2681 under the authority granted to it under Chapter 84.14 RCW designating the City Center Sub-Area as a Designated Residential Target Area and establishing the Multiple-Unit Housing Property Tax Exemption program. The Ordinance enacted the program whereby property owners may qualify for a Final Certificate of Tax Exemption which certifies to the Snohomish County Assessor that the owner is eligible to receive a limited property tax exemption. The program is designed to encourage new construction or rehabilitation of multifamily housing Residential Target Areas in order to reduce development pressure on single-family residential neighborhoods, to increase and improve housing opportunities, and to encourage development densities supportive of transit use.

There are various statutory abatements affecting multiple jurisdictions including the City of Lynnwood. Statutory abatements are reported by the Washington Department of Revenue at the following website: <https://dor.wa.gov/about/statistics-reports/information-local-governments/governmental-accounting-standards-board-gasb-statement-no-77>. The Department of Revenue report listed \$34,405 in estimated taxpayer savings applicable to the City of Lynnwood for Fiscal Year 2021.

#### **4-F. Prior Period Adjustments and Restatements**

In 2021, the City is reporting a prior period adjustment to correct the allocation of pension plan liabilities, deferred outflows and deferred inflows between governmental, proprietary and internal service funds. This adjustment results in a decrease of \$88,966 in the net position of the Water and Sewer Utility Fund, and a decrease of \$87,510 in the net position of the Internal Service Funds, which is reported on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position. On the Entity-wide Statement of Activities a net increase in Governmental net position of \$88,966 is reported, which reflects the decrease of \$87,510 from the Internal Service Funds, plus an increase of \$176,476 related to Governmental funds. The net adjustment to Governmental net position is offset by a decrease of \$88,966 in the Business-Type column, related to the Water and Sewer Utility Fund.

#### **4-G. Fund Changes - Fund additions/deletions in the current year are, as follows:**

- The following new fund was opened in 2021:
  - ✓ Special Revenue Fund: American Rescue Plan Act Fund 131

#### **Note 5 – Other Disclosures**

##### COVID-19 (Coronavirus)

The City began 2020 in good economic shape with strong development, increasing property values, low unemployment and sales tax revenues trending higher than 2019. In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. The Mayor of the City of Lynnwood issued an Emergency Proclamation in response to the COVID-19 public health crisis in March of 2020. The situation evolved rapidly and resulted in closures of City facilities and parks. Non-essential staff were transitioned to telework, while additional protective measures were put in place for essential workers who could not telework.

The General Fund was negatively impacted by reduced sales tax and recreation revenues. The Mayor called for all departments to immediately reduce spending in order to balance the budget. Expenditure reduction measures totaling \$5.6 million were enacted. In conjunction with the adoption of the 2021-2022 biennial budget, the City Council passed a resolution authorizing the transfer of up to \$2.2 million in reserve funding to balance the General Fund and allowing for General Fund reserves to end the year under the 2.5 month minimum required in policy. The actual amount of transfer needed was \$1.13 million. The General Fund had 2.2 months of operating reserves at the end of 2020. The General Fund budget was adopted with conservative revenue estimates and included a plan to replenish reserves over 2021 and 2022.

Throughout 2021, sales tax revenues returned to pre-pandemic levels and exceeded budgeted amounts. The balance of the reserve fund was fully restored in 2021. No further transfers will be needed for 2022. The City of Lynnwood's State of Emergency remained in effect for all of 2021.

### 2021-2022 COVID-19 Emergency Relief Funding

In April of 2021, the U.S. Government established the American Rescue Plan Act of 2021 to provide emergency funding related to the ongoing COVID-19 crisis. The plan included \$350 billion in funding for state, local, territorial and tribal governments. The City of Lynnwood was allocated \$10.9 million in Coronavirus State and Local Fiscal Recovery Funds. Half of the funding was received in June 2021 with the other half expected twelve months later in 2022. The funds were distributed to the State of Washington and then allocated to other jurisdictions.

Program guidelines provide substantial flexibility for each jurisdiction to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest-hit by the crisis. Within the categories of eligible uses listed, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. Program rules include a methodology for using funds to recover lost revenues. As of the time this report was filed, the City has not yet determined a comprehensive plan for how the full amount of funding will be allocated.

**City of Lynnwood, Washington**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund - Budget Basis**  
**For the Year Ended December 31, 2021**

|                                   | <b>Original<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>Amended<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>2021<br/>Actual</b> | <b>Variance<br/>With<br/>Amended<br/>Budget</b> |
|-----------------------------------|---|--|------------------------|---|
| <b>Revenues</b>                   |   |  |                        |   |
| Taxes:                            |   |  |                        |   |
| Property tax                      | \$ 8,800,000  | \$ 8,800,000   | \$ 4,265,407           | \$ (4,534,593)                                  |
| Sales tax                         | 46,684,959  | 47,417,959   | 27,102,477             | (20,315,482)                                    |
| Business taxes                    | 13,523,331  | 13,523,331   | 6,310,303              | (7,213,028)                                     |
| Other taxes                       | 18,271  | 18,271   | 3,703                  | (14,568)  |
| <b>Total Taxes</b>                | <b>69,026,561</b>                                     | <b>69,759,561</b>                                    | <b>37,681,890</b>      | <b>(32,077,671)</b>                             |
| Licenses and Permits:             |   |  |                        |   |
| Business licenses                 | 6,213,641   | 6,213,641  | 2,291,644              | (3,921,997)                                     |
| Franchise fees                    | 930,342   | 930,342  | 433,158                | (497,184)                                       |
| Permits and fees                  | 5,790,260   | 5,790,260  | 2,576,646              | (3,213,614)                                     |
| <b>Total Licenses and Permits</b> | <b>12,934,243</b>                                     | <b>12,934,243</b>                                    | <b>5,301,448</b>       | <b>(7,632,795)</b>                              |
| Intergovernmental:                |   |  |                        |   |
| Liquor Board taxes                | 1,109,030   | 1,109,030  | 601,426                | (507,604)                                       |
| Other                             | 2,502,214   | 2,510,614  | 966,448                | (1,544,166)                                     |
| <b>Total Intergovernmental</b>    | <b>3,611,244</b>                                      | <b>3,619,644</b>                                     | <b>1,567,874</b>       | <b>(2,051,770)</b>                              |
| Charges for Services:             |   |  |                        |   |
| Planning fees                     | 3,106,116   | 3,106,116  | 1,406,538              | (1,699,578)                                     |
| Interfund                         | 5,382,939   | 5,382,939  | -                      | (5,382,939)                                     |
| Recreation                        | 4,765,741   | 4,765,741  | 1,507,112              | (3,258,629)                                     |
| Other                             | 204,947   | 204,947  | 81,398                 | (123,549)                                       |
| <b>Total Charges for Services</b> | <b>13,459,743</b>                                     | <b>13,459,743</b>                                    | <b>2,995,048</b>       | <b>(10,464,695)</b>                             |
| Fines and Forfeitures:            | 9,642,017   | 9,642,017  | 4,895,690              | (4,746,327)                                     |
| Miscellaneous                     |   |  |                        |   |
| Investment interest               | 236,543   | 236,543  | 43,174                 | (193,369)                                       |
| Rents and concessions             | 946,400   | 946,400  | 359,193                | (587,207)                                       |
| Other                             | 397,433   | 397,433  | 149,683                | (247,750)                                       |
| <b>Total Miscellaneous</b>        | <b>1,580,376</b>                                      | <b>1,580,376</b>                                     | <b>552,050</b>         | <b>(1,028,326)</b>                              |
| <b>Total Revenues</b>             | <b>\$ 110,254,184</b>                                 | <b>\$ 110,995,584</b>                                | <b>\$ 52,994,000</b>   | <b>\$ (58,001,584)</b>                          |

(continued on next page)

City of Lynnwood, Washington  
*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual*  
**General Fund - Budget Basis**  
*For the Year Ended December 31, 2021*

(continued from prior page)

|   | <b>Original<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>Amended<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>2021<br/>Actual</b> | <b>Variance<br/>With<br/>Amended<br/>Budget</b> |
|---|---|--|------------------------|---|
| <b>Expenditures</b>                         |   |  |                        |   |
| <b>General Government</b>                   |   |  |                        |   |
| Legislative/executive                       | \$ 2,283,059  | \$ 2,283,059   | \$ 1,034,964           | \$ 1,248,095                                    |
| Administrative services                     | 7,635,332   | 7,712,332  | 972,414                | 6,739,918                                       |
| Information Technology                      | 4,911,171   | 4,884,825  | 2,412,428              | 2,472,397                                       |
| Legal                                       | 2,751,400   | 2,751,400  | 1,375,024              | 1,376,376                                       |
| Human Resources                             | 2,020,759   | 2,060,759  | 1,042,113              | 1,018,646                                       |
| Property management                         | 3,423,632   | 3,483,632  | 1,459,564              | 2,024,068                                       |
| <b>Total General Government</b>             | <u>23,025,353</u>                                     | <u>23,176,007</u>                                    | <u>8,296,507</u>       | <u>14,879,500</u>                               |
| <b>Economic Environment</b>                 | <u>12,148,073</u>                                     | <u>12,148,073</u>                                    | <u>4,776,441</u>       | <u>7,371,632</u>                                |
| <b>Judicial</b>                             | <u>2,047,927</u>                                      | <u>2,127,927</u>                                     | <u>983,429</u>         | <u>1,144,498</u>                                |
| <b>Culture &amp; Recreation</b>             | <u>15,666,562</u>                                     | <u>16,038,689</u>                                    | <u>6,562,606</u>       | <u>9,476,083</u>                                |
| <b>Public Safety</b>                        |   |  |                        |   |
| Police                                      | 42,940,675  | 43,047,675   | 19,591,661             | 23,456,014                                      |
| Fire  | 1,927,489   | 1,927,489  | 956,423                | 971,066   |
| <b>Total Public Safety</b>                  | <u>44,868,164</u>                                     | <u>44,975,164</u>                                    | <u>20,548,084</u>      | <u>24,427,080</u>                               |
| <b>Social Services</b>                      | <u>1,005,211</u>                                      | <u>1,085,211</u>                                     | <u>397,114</u>         | <u>688,097</u>                                  |
| <b>Transportation</b>                       | <u>2,793,485</u>                                      | <u>2,793,485</u>                                     | <u>1,481,140</u>       | <u>1,312,345</u>                                |
| <b>Capital Outlay</b>                       | <u>13,000</u>   | <u>147,678</u>                                       | <u>87,807</u>          | <u>59,871</u>                                   |
| <b>Total Expenditures</b>                   | <u>101,567,775</u>                                    | <u>102,492,234</u>                                   | <u>43,133,128</u>      | <u>59,359,106</u>                               |
| <b>Other Financing Sources (Uses)</b>       |   |  |                        |   |
| Transfers In                                | 402,883   | 402,883  | -                      | (402,883)                                       |
| Transfers Out                               | (9,144,091)   | (9,144,094)  | (5,004,515)            | 4,139,579                                       |
| <b>Total Other Financing Sources (Uses)</b> | <u>(8,741,208)</u>                                    | <u>(8,741,211)</u>                                   | <u>(5,004,515)</u>     | <u>3,736,696</u>                                |
| <b>Net Change in Fund Balance</b>           | <u>\$ (54,799)</u>                                    | <u>\$ (237,861)</u>                                  | <u>\$ 4,856,357</u>    | <u>\$ 5,094,218</u>                             |
| <b>Fund Balance - Beginning of Year</b>     |   |  | 4,124,785              |   |
| <b>Fund Balance - End of Year</b>           |   |  | <u>\$ 8,981,142</u>    |   |

The General Fund, as presented for financial reporting purposes, includes the separately adopted budgets of the General Fund, Economic Development Fund and Revenue Stabilization Fund on the GAAP basis. This schedule presents the information for the legally adopted General Fund budget only. Reference attached Note 1 to RSI.

**City of Lynnwood, Washington**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Note to RSI**

**Explanation of Difference Between General Fund Budgeted Revenues and Expenditures and GAAP Revenues and Expenditures** - The General Fund, as presented for financial reporting purposes, includes the separately adopted budgets of the General Fund, Economic Development Fund and Revenue Stabilization Fund on the GAAP basis. The funds listed below are consolidated into the General Fund for reporting purposes.

|   |                          |
|---|--------------------------|
| <b>Revenues</b>   | <u>2021</u>              |
| General Fund  | 52,994,000               |
| Economic Development Fund   | (100,327)                |
| Revenue Stabilization Fund  | -                        |
| Total revenues as reported on the statement of revenues,<br>expenditures and changes in fund balance - general fund | <u><u>52,893,673</u></u> |

|   |                          |
|---|--------------------------|
| <b>Expenditures</b>   | <u>2021</u>              |
| General Fund  | 43,133,128               |
| Economic Development Fund   | -                        |
| Revenue Stabilization Fund  | -                        |
| Total expenditures as reported on the statement of revenues,<br>expenditures and changes in fund balance - general fund | <u><u>43,133,128</u></u> |

|   |                           |
|---|---------------------------|
| <b>Other Financing Sources (Uses)</b>   | <u>2021</u>               |
| General Fund  | (5,004,515)               |
| Economic Development Fund   | (1,125,000)               |
| Revenue Stabilization Fund  | 1,129,967                 |
| Total other financing sources (uses) as reported on the statement of<br>revenues, expenditures and changes in fund balance - general fund | <u><u>(4,999,548)</u></u> |

**City of Lynnwood, Washington**  
**American Rescue Plan Act Fund**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2021*

|  | <b>Original<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>Amended<br/>2021-2022<br/>Biennial<br/>Budget</b> | <b>2021<br/>Actual</b> | <b>Variance<br/>With<br/>Amended<br/>Budget</b> |
|--|---|--|------------------------|---|
| <b>Revenues</b>                        |   |  |                        |   |
| Intergovernmental                      | \$ -  | \$ 10,936,804  | \$ 415,572             | \$ (10,521,232)                                 |
| <b>Total Revenues</b>                  | <u>-</u>  | <u>10,936,804</u>                                    | <u>415,572</u>         | <u>(10,521,232)</u>                             |
| <b>Expenditures</b>                    |   |  |                        |   |
| <b>Current:</b>                        |   |  |                        |   |
| General Government                     | -   | 10,936,804   | 68,797                 | 10,868,007                                      |
| <b>Capital Outlay</b>                  | <u>-</u>  | <u>-</u>   | <u>346,775</u>         | <u>(346,775)</u>                                |
| <b>Total Expenditures</b>              | <u>-</u>  | <u>10,936,804</u>                                    | <u>415,572</u>         | <u>10,521,232</u>                               |
| <b>Net Change in Fund Balances</b>     | -   | -  | -                      | -   |
| <b>Fund Balances Beginning of Year</b> | <u>-</u>  | <u>-</u>   | <u>-</u>               | <u>-</u>  |
| <b>Fund Balances End of Year</b>       | <u><u>\$ -</u></u>                                    | <u><u>\$ -</u></u>                                   | <u><u>\$ -</u></u>     | <u><u>\$ -</u></u>                              |

The American Rescue Plan Act Fund is budgeted as presented for financial purposes on the GAAP basis.



**City of Lynnwood, Washington**  
*Schedule of Proportionate Share of the Net Pension Liability/Asset*  
*As of June 30*

**PERS 1**

|  | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the net pension liability   | 0.129742%     | 0.131507%     | 0.139755%     | 0.141150%     | 0.142394%     | 0.132475%     | 0.136623%     |
| Employer's proportionate share of the net pension liability                                    | \$ 1,584,453  | \$ 4,642,907  | \$ 5,374,076  | \$ 6,303,807  | \$ 6,756,706  | \$ 7,114,531  | \$ 7,146,653  |
| Covered payroll  | \$ 18,619,262 | \$ 18,699,054 | \$ 19,984,221 | \$ 18,716,670 | \$ 17,249,159 | \$ 15,699,939 | \$ 15,566,793 |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | 8.51%         | 24.83%        | 26.89%        | 33.68%        | 39.17%        | 45.32%        | 45.91%        |
| Plan fiduciary net position as a percentage of the total pension liability                     | 88.74%        | 68.64%        | 67.12%        | 63.22%        | 61.24%        | 57.03%        | 59.10%        |

**PERS 2/3**

|  | 2021            | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the net pension liability   | 0.155045%       | 0.158922%     | 0.167356%     | 0.171192%     | 0.173956%     | 0.160135%     | 0.166966%     |
| Employer's proportionate share of the net pension liability (asset)                                    | \$ (15,444,977) | \$ 2,032,522  | \$ 1,625,596  | \$ 2,922,951  | \$ 6,044,139  | \$ 8,062,671  | \$ 5,965,790  |
| Covered payroll  | \$ 18,545,101   | \$ 18,630,526 | \$ 18,607,574 | \$ 17,769,774 | \$ 16,452,758 | \$ 14,924,219 | \$ 14,819,525 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll | -83.28%         | 10.91%        | 8.74%         | 16.45%        | 36.74%        | 54.02%        | 40.26%        |
| Plan fiduciary net position as a percentage of the total pension liability                             | 120.29%         | 97.22%        | 97.77%        | 95.77%        | 90.97%        | 85.82%        | 89.20%        |

**PSERS 2**

|  | 2021         | 2020         | 2019         | 2018       | 2017       | 2016       | 2015       |
|--|--------------|--------------|--------------|------------|------------|------------|------------|
| Employer's proportion of the net pension liability   | 0.177054%    | 0.192976%    | 0.267048%    | 0.227010%  | 0.218084%  | 0.209520%  | 0.231513%  |
| Employer's proportionate share of the net pension liability (asset)                                    | \$ (406,762) | \$ (26,553)  | \$ (34,727)  | \$ 2,813   | \$ 42,729  | \$ 89,042  | \$ 42,256  |
| Covered payroll  | \$ 1,200,206 | \$ 1,136,207 | \$ 1,330,176 | \$ 890,458 | \$ 742,200 | \$ 679,047 | \$ 677,061 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll | -33.89%      | -2.34%       | -2.61%       | 0.32%      | 5.76%      | 13.11%     | 6.24%      |
| Plan fiduciary net position as a percentage of the total pension liability                             | 123.67%      | 101.68%      | 101.85%      | 99.79%     | 96.26%     | 90.41%     | 95.08%     |

(continued)

**City of Lynnwood, Washington**  
*Schedule of Proportionate Share of the Net Pension Liability/Asset*  
*As of June 30*

**LEOFF 1**

|  | 2021          | 2020          | 2019          | 2018          | 2017          | 2016         | 2015         |
|--|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Employer's proportion of the net pension asset   | 0.099328%     | 0.099087%     | 0.099898%     | 0.099543%     | 0.097900%     | 0.096516%    | 0.095558%    |
| Employer's proportionate share of the net pension asset                                    | \$ 3,402,542  | \$ 1,871,267  | \$ 1,974,595  | \$ 1,807,205  | \$ 1,485,358  | \$ 994,391   | \$ 1,151,685 |
| State's proportionate share of the net pension asset associated with the employer          | \$ 23,014,711 | \$ 12,657,203 | \$ 13,356,111 | \$ 12,223,890 | \$ 10,046,927 | \$ 6,726,036 | \$ 7,789,969 |
| TOTAL  | \$ 26,417,253 | \$ 14,528,470 | \$ 15,330,705 | \$ 14,031,095 | \$ 11,532,286 | \$ 7,720,427 | \$ 8,941,654 |
| Covered payroll  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -         | \$ -         |
| Employer's proportionate share of the net pension asset as a percentage of covered payroll | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%        | 0.00%        |
| Plan fiduciary net position as a percentage of the total pension asset                     | 187.45%       | 146.88%       | 148.78%       | 144.42%       | 135.96%       | 123.74%      | 127.36%      |

**LEOFF 2**

|   | 2021          | 2020         | 2019         | 2018         | 2017          | 2016          | 2015          |
|---|---------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Employer's proportion of the net pension asset  | 0.222081%     | 0.229167%    | 0.243037%    | 0.294521%    | 0.486125%     | 0.433881%     | 0.456878%     |
| Employer's proportionate share of the net pension asset   | \$ 12,899,384 | \$ 4,674,672 | \$ 5,630,421 | \$ 5,979,418 | \$ 6,745,840  | \$ 2,523,582  | \$ 4,695,792  |
| State's proportionate share of the net pension asset associated with the employer                   | \$ 8,321,511  | \$ 2,989,099 | \$ 3,687,171 | \$ 3,871,561 | \$ 4,375,900  | \$ 1,645,192  | \$ 3,104,893  |
| TOTAL   | \$ 21,220,895 | \$ 7,663,771 | \$ 9,317,592 | \$ 9,850,979 | \$ 11,121,740 | \$ 4,168,774  | \$ 7,800,685  |
| Employer's covered payroll  | \$ 8,596,164  | \$ 8,362,577 | \$ 8,826,066 | \$ 8,037,687 | \$ 13,394,830 | \$ 13,144,036 | \$ 13,258,319 |
| Employer's proportionate share of the net pension asset as a percentage of covered employee payroll | 150.06%       | 55.90%       | 63.79%       | 74.39%       | 50.36%        | 19.20%        | -35.42%       |
| Plan fiduciary net position as a percentage of the total pension asset                              | 142.00%       | 115.83%      | 119.43%      | 118.50%      | 113.36%       | 106.04%       | 111.67%       |

The City currently does not have 10 years of pension data available. Schedule prepared prospectively from 2015.

**City of Lynnwood, Washington**  
*Schedule of Employer Contributions*  
For the year ended December 31, 2021

**PERS 1**

|   | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contributions                                  | \$ 859,699    | \$ 979,983    | \$ 991,659    | \$ 974,283    | \$ 875,695    | \$ 815,773    | \$ 666,898    |
| Contributions in relation to the contractually required contributions | (859,699)     | (979,983)     | (991,659)     | (974,283)     | (875,695)     | (815,773)     | (666,898)     |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered payroll   | \$ 18,647,826 | \$ 19,105,465 | \$ 19,973,778 | \$ 19,206,552 | \$ 17,822,990 | \$ 16,981,523 | \$ 15,137,651 |
| Contributions as a percentage of covered payroll                      | 4.61%         | 5.13%         | 4.96%         | 5.07%         | 4.91%         | 4.80%         | 4.41%         |

**PERS 2/3**

|   | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contributions                                  | \$ 1,333,538  | \$ 1,507,080  | \$ 1,424,123  | \$ 1,352,402  | \$ 1,159,549  | \$ 1,773,885  | \$ 1,441,968  |
| Contributions in relation to the contractually required contributions | (1,333,538)   | (1,507,080)   | (1,424,123)   | (1,352,402)   | (1,159,549)   | (1,773,885)   | (1,441,968)   |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered payroll   | \$ 18,573,775 | \$ 19,031,231 | \$ 18,664,837 | \$ 18,039,335 | \$ 17,006,678 | \$ 16,127,212 | \$ 14,415,414 |
| Contributions as a percentage of covered payroll                      | 7.18%         | 7.92%         | 7.63%         | 7.50%         | 6.82%         | 11.00%        | 10.00%        |

(continued)

**City of Lynnwood, Washington**  
*Schedule of Employer Contributions*  
*For the year ended December 31, 2021*

**PSEERS 2**

|   | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contributions                                  | \$ 77,540       | \$ 87,412       | \$ 88,603       | \$ 73,584       | \$ 86,976       | \$ 86,478       | \$ 71,594       |
| Contributions in relation to the contractually required contributions | <u>(77,540)</u> | <u>(87,412)</u> | <u>(88,603)</u> | <u>(73,584)</u> | <u>(86,976)</u> | <u>(86,478)</u> | <u>(71,594)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| Covered payroll   | \$ 1,127,307    | \$ 1,214,056    | \$ 1,242,756    | \$ 1,074,157    | \$ 760,560      | \$ 761,251      | \$ 658,733      |
| Contributions as a percentage of covered payroll                      | 6.88%           | 7.20%           | 7.13%           | 6.85%           | 11.44%          | 11.36%          | 10.87%          |

**LEOFF 2**

|  | 2021             | 2020             | 2019             | 2018             | 2017             | 2016             | 2015             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily or contractually required contributions                                  | \$ 422,246       | \$ 458,033       | \$ 459,958       | \$ 417,061       | \$ 684,235       | \$ 719,240       | \$ 641,223       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(422,246)</u> | <u>(458,033)</u> | <u>(459,958)</u> | <u>(417,061)</u> | <u>(684,235)</u> | <u>(719,240)</u> | <u>(641,223)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered payroll  | \$ 8,221,098     | \$ 8,893,832     | \$ 8,837,932     | \$ 7,944,020     | \$ 13,337,545    | \$ 14,242,374    | \$ 12,697,473    |
| Contributions as a percentage of covered employee payroll                            | 5.14%            | 5.15%            | 5.20%            | 5.25%            | 5.13%            | 5.05%            | 5.05%            |

**City of Lynnwood, Washington**  
*Schedule of Changes in Net Pension Liability and Related Ratios*  
*Firefighter's Pension*  
*For the year ended December 31, 2021*

|  | 2021                | 2020                | 2019                | 2018              | 2017                | 2016              | 2015              | 2014              |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| <b>Total pension liability</b>   |                     |                     |                     |                   |                     |                   |                   |                   |
| Interest   | \$ 28,835           | \$ 40,740           | \$ 50,965           | \$ 43,728         | \$ 48,141           | \$ 47,947         | \$ 41,432         | \$ 41,801         |
| Changes in benefit terms   | -                   | -                   | -                   | -                 | -                   | -                 | -                 | 54,392            |
| Differences between expected and actual experience                           | 451,949             | 146,585             | 356,504             | -                 | 116,948             | (38,717)          | 32,573            | -                 |
| Changes of assumptions   | (273,131)           | (130,094)           | (114,417)           | (132,101)         | 104,541             | -                 | 194,582           | -                 |
| Benefit payments   | (117,566)           | (76,327)            | (95,102)            | (95,103)          | (96,468)            | (94,313)          | (70,585)          | (73,119)          |
| <b>Net change in total pension liability</b>                                 | 90,087              | (19,096)            | 197,950             | (183,476)         | 173,162             | (85,083)          | 198,002           | 23,074            |
| <b>Total pension liability - beginning</b>                                   | 1,500,533           | 1,519,629           | 1,321,679           | 1,505,155         | 1,331,993           | 1,417,076         | 1,219,074         | 1,196,000         |
| <b>Total pension liability - ending (a)</b>                                  | <u>1,590,620</u>    | <u>1,500,533</u>    | <u>1,519,629</u>    | <u>1,321,679</u>  | <u>1,505,155</u>    | <u>1,331,993</u>  | <u>1,417,076</u>  | <u>1,219,074</u>  |
| <b>Plan fiduciary net position</b>   |                     |                     |                     |                   |                     |                   |                   |                   |
| Contributions - employer   | 68,741              | 66,367              | 62,165              | 61,710            | 54,134              | 55,130            | 55,515            | 56,875            |
| Net investment income  | 1,734               | 2,844               | 9,686               | 3,639             | 7,108               | -                 | -                 | 651               |
| Benefit payments, including refunds of contributions                         | (117,566)           | (76,327)            | (95,102)            | (95,103)          | (96,468)            | (94,313)          | (70,585)          | (73,119)          |
| Administrative expense   | (2,500)             | (4,750)             | (2,000)             | (4,500)           | (2,000)             | (4,250)           | -                 | (21,825)          |
| Other  | -                   | 2,431               | -                   | -                 | -                   | (59,479)          | (90,652)          | (45,326)          |
| <b>Net change in plan fiduciary net position</b>                             | (49,591)            | (9,435)             | (25,251)            | (34,254)          | (37,226)            | (102,912)         | (105,722)         | (82,744)          |
| <b>Plan fiduciary net position - beginning</b>                               | 300,592             | 310,027             | 335,278             | 369,532           | 406,758             | 509,670           | 615,392           | 698,136           |
| <b>Plan fiduciary net position - ending (b)</b>                              | <u>251,001</u>      | <u>300,592</u>      | <u>310,027</u>      | <u>335,278</u>    | <u>369,532</u>      | <u>\$ 406,758</u> | <u>\$ 509,670</u> | <u>\$ 615,392</u> |
| <b>Net pension liability ending (a) - (b)</b>                                | <u>\$ 1,339,619</u> | <u>\$ 1,199,941</u> | <u>\$ 1,209,602</u> | <u>\$ 986,401</u> | <u>\$ 1,135,623</u> | <u>\$ 925,235</u> | <u>\$ 907,406</u> | <u>\$ 603,682</u> |
| <b>Plan fiduciary net position as a % of total pension liability (b)/(a)</b> | 15.8%               | 20.0%               | 20.4%               | 25.4%             | 24.6%               | 30.5%             | 36.0%             | 50.5%             |
| <b>Covered payroll</b>   | -                   | -                   | -                   | -                 | -                   | -                 | -                 | -                 |
| <b>Net pension liability as a % of covered employee payroll</b>              | 0.00%               | 0.00%               | 0.00%               | 0.00%             | 0.00%               | 0.00%             | 0.00%             | 0.00%             |

**Notes to Schedule:**

Factors that significantly effect trends include changes in the size of the population covered by the benefit terms or the use of different assumptions.

The City currently does not have 10 years of pension data available. Schedule prepared prospectively from 2014.

**City of Lynnwood, Washington**  
**Schedule of Employer Contributions**  
*Firefighter's Pension*

*Last 10 Fiscal Years*  
*For the year ended December 31, 2021*

|   | 2021       | 2020       | 2019       | 2018       | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      |
|---|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially/statutorily/contractually determined contribution | \$ 135,657 | \$ 116,323 | \$ 105,216 | \$ 105,216 | \$ 77,442 | \$ 77,442 | \$ 43,999 | \$ 43,999 | \$ 51,946 | \$ 51,946 |
| Actual contribution in relation to the above *                | 68,741     | 66,367     | 62,165     | 60,146     | 54,134    | (4,349)   | (35,137)  | (10,276)  | (3,753)   | 1,536     |
| Contribution deficiency (excess)                              | \$ 66,916  | \$ 49,956  | \$ 43,051  | \$ 45,070  | \$ 23,308 | \$ 81,791 | \$ 79,136 | \$ 54,275 | \$ 55,699 | \$ 50,410 |
| Covered payroll   | -          | -          | -          | -          | -         | -         | -         | -         | -         | -         |
| Contributions as a % of covered-employee payroll              | N/A        | N/A        | N/A        | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |

**Notes to Schedule:**

Valuation Full date: December 31, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method - entry age normal

Amortization method - 30-year, closed as of January 1, 1999

Remaining amortization period - 15 Years

Asset valuation method - Fair Value

Inflation - 2.00%

Salary increases - 3.00%

Investment rate of return - 2.00%

Mortality - PRI-2012, using MP-2021 projection scale

\* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

**City of Lynnwood, Washington**  
*Schedule of Investment Returns*  
*Firefighter's Pension*  
*Last 10 Fiscal Years*

|   | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annual money-weighted rate of return, net of investment expense | 0.63% | 0.93% | 3.00% | 1.03% | 1.83% | 0.00% | 0.00% | 0.09% | 0.14% | 0.16% |

**City of Lynnwood, Washington**  
*Schedule of Changes in Total OPEB Liability and Related Ratios*  
*LEOFF I Retiree Medical and Long-Term Care Benefits*

*Last Four Fiscal Years <sup>(1)</sup>*

|   | June 30, <sup>(2)</sup> |               |               |               |
|---|-------------------------|---------------|---------------|---------------|
|   | 2021                    | 2020          | 2019          | 2018          |
| <b>Total OPEB liability - beginning</b>               | \$ 10,668,568           | \$ 9,854,835  | \$ 11,617,646 | \$ 12,036,582 |
| Interest  | 231,087                 | 337,538       | 441,313       | 422,777       |
| Differences between expected and actual experience    |                         |               |               |               |
| Changes of assumptions                                | 420,306                 | 901,628       | (1,771,614)   | (383,326)     |
| Benefit payments                                      | (426,627)               | (425,433)     | (432,510)     | (458,387)     |
| Net change in total OPEB liability                    | 224,766                 | 813,733       | (1,762,811)   | (418,936)     |
| <b>Total OPEB liability - ending</b>                  | \$ 10,893,334           | \$ 10,668,568 | \$ 9,854,835  | \$ 11,617,646 |
| <b>Covered payroll</b>                                | -                       | -             | -             | -             |
| <b>Total OPEB liability as a % of covered payroll</b> | N/A                     | N/A           | N/A           | N/A           |

**Notes to Schedule:**

<sup>(1)</sup> Until a full 10-year trend is compiled, only information beginning with 2018 is presented.

<sup>(2)</sup> Although the City is reports on a December 31 year end, the valuation dates are as of June 30.

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



City of Lynnwood, Washington  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2021

| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Other Award<br>Number               | Expenditures                    |                       | Passed through<br>to<br>Subrecipients | Note     |
|--|---|----------------|-------------------------------------|---------------------------------|-----------------------|---------------------------------------|----------|
|  |   |                |                                     | From Pass-<br>Through<br>Awards | From Direct<br>Awards |                                       |          |
|  |   |                |                                     |                                 | Total                 |                                       |          |
| BUREAU OF<br>RECLAMATION, INTERIOR,<br>DEPARTMENT OF THE   | WaterSMART (Sustain<br>and Manage America's<br>Resources for<br>Tomorrow) | 15.507         | R19AP00147                          | -                               | 296,400               | 296,400                               | 1, 2, 3  |
| NATIONAL PARK SERVICE,<br>INTERIOR, DEPARTMENT<br>OF THE (via Washington State<br>Recreation and Conservation<br>Office)         | Outdoor Recreation<br>Acquisition,<br>Development and<br>Planning         | 15.916         | P19AP00196                          | 324,507                         | -                     | 324,507                               | 1, 2, 3  |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF   | Bulleproof Vest<br>Partnership Program                                    | 16.607         | N/A                                 | -                               | 3,117                 | 3,117                                 | 1, 2, 3  |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF   | Bulleproof Vest<br>Partnership Program                                    | 16.607         | N/A                                 | -                               | 2,000                 | 2,000                                 | 1, 2, 3  |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF   | Bulleproof Vest<br>Partnership Program                                    | 16.607         | N/A                                 | -                               | 3,613                 | 3,613                                 | 1, 2, 3  |
| <b>Total CFDA 16.607:</b>  |   |                |                                     | <b>-</b>                        | <b>8,730</b>          | <b>8,730</b>                          | <b>-</b> |
| <b>Highway Planning and Construction Cluster</b>   |   |                |                                     |                                 |                       |                                       |          |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington State Department of<br>Transportation) | Highway Planning and<br>Construction                                      | 20.205         | CM-0524(011)<br>LA-7931             | 7,190,035                       | -                     | 7,190,035                             | 1, 2, 3  |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington State Department of<br>Transportation) | Highway Planning and<br>Construction                                      | 20.205         | IMD-STPUL-<br>2004(037) LA-<br>5787 | 652,435                         | -                     | 652,435                               | 1, 2, 3  |

The accompanying notes are an integral part of this schedule

City of Lynnwood, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021

| Federal Agency<br>(Pass-Through Agency)  | Federal Program                       | CFDA<br>Number | Other Award<br>Number                                 | Expenditures                    |                       | Passed through<br>to<br>Subrecipients | Note    |
|--|---------------------------------------|----------------|---|---------------------------------|-----------------------|---------------------------------------|---------|
|  |                                       |                |   | From Pass-<br>Through<br>Awards | From Direct<br>Awards |                                       |         |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington State Department of<br>Transportation)           | Highway Planning and<br>Construction  | 20.205         | STPUL-<br>2689(001) LA-<br>9612                       | 200,117                         | -                     | -                                     | 1, 2, 3 |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington State Department of<br>Transportation)           | Highway Planning and<br>Construction  | 20.205         | TAP-2523(003)<br>LA-9367                              | 436                             | -                     | -                                     | 1, 2, 3 |
| <b>Total Highway Planning and Construction Cluster:</b>  |                                       |                |   | <b>8,043,023</b>                | <b>-</b>              | <b>8,043,023</b>                      |         |
| <b>Highway Safety Cluster</b>  |                                       |                |   |                                 |                       |                                       |         |
| NATIONAL HIGHWAY<br>TRAFFIC SAFETY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington Traffic Safety<br>Commission) | State and Community<br>Highway Safety | 20.600         | 2021-HVE-4044-<br>Region 10 Target<br>Zone Task Force | 5,033                           | -                     | -                                     | 1, 2, 3 |
| NATIONAL HIGHWAY<br>TRAFFIC SAFETY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington Traffic Safety<br>Commission) | State and Community<br>Highway Safety | 20.600         | 2021-Sub-Grants-<br>4081-Region 10<br>LEL             | 1,348                           | -                     | -                                     | 1, 2, 3 |
| <b>Total CFDA 20.600:</b>  |                                       |                |   | <b>6,381</b>                    | <b>-</b>              | <b>6,381</b>                          |         |

The accompanying notes are an integral part of this schedule

City of Lynnwood, Washington  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2021

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number                            | Expenditures                    |                       | Passed through<br>to<br>Subrecipients | Note    |
|--|--|----------------|--|---------------------------------|-----------------------|---------------------------------------|---------|
|  |  |                |  | From Pass-<br>Through<br>Awards | From Direct<br>Awards |                                       |         |
| NATIONAL HIGHWAY<br>TRAFFIC SAFETY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via<br>Washington Traffic Safety<br>Commission) | National Priority Safety<br>Programs                                     | 20.616         | 2021-AG-4089-<br>Snohomish Co<br>Ped Safety Zone | 4,852                           | -                     | 4,852                                 | 1, 2, 3 |
| <b>Total Highway Safety Cluster:</b>   |  |                |  | <b>11,233</b>                   | <b>-</b>              | <b>11,233</b>                         |         |
| TREASURY, DEPARTMENT<br>OF THE, TREASURY,<br>DEPARTMENT OF THE   | Equitable Sharing  | 21.016         | JLEOTFS4   | -                               | 3,808                 | 3,808                                 | 1, 2, 3 |
| TREASURY, DEPARTMENT<br>OF THE, TREASURY,<br>DEPARTMENT OF THE   | Equitable Sharing  | 21.016         | WA0310400  | -                               | 1,995                 | 1,995                                 | 1, 2, 3 |
| <b>Total CFDA 21.016:</b>  |  |                |  | <b>-</b>                        | <b>5,803</b>          | <b>5,803</b>                          |         |
| DEPARTMENTAL OFFICES,<br>TREASURY, DEPARTMENT<br>OF THE  | COVID 19 -<br>CORONAVIRUS<br>STATE AND LOCAL<br>FISCAL RECOVERY<br>FUNDS | 21.027         | WA0715   | -                               | 415,572               | 415,572                               | 1, 2, 3 |
| <b>Total Federal Awards Expended:</b>  |  |                |  | <b>8,378,763</b>                | <b>726,505</b>        | <b>9,105,268</b>                      |         |

The accompanying notes are an integral part of this schedule

CITY OF LYNNWOOD, WASHINGTON

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – 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, are 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.

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