Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lynnwood Public Facilities District

For the period January 1, 2022 through December 31, 2022

Published September 28, 2023

Report No. 1033375

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Office of the Washington State Auditor
Pat McCarthy

September 28, 2023

Board of Directors
Lynnwood Public Facilities District
Lynnwood, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Lynnwood Public Facilities District
January 1, 2022 through December 31, 2022

Board of Directors
Lynnwood Public Facilities District
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 Lynnwood Public Facilities District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Lynnwood Public Facilities District
January 1, 2022 through December 31, 2022

Board of Directors
Lynnwood Public Facilities District
Lynnwood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Lynnwood Public Facilities District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lynnwood Public Facilities District, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 District 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 opinion.

Matters of Emphasis – New Accounting Standard

As discussed in Note 15 to the financial statements, in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Matters of Emphasis – Correction of Prior Year Misstatement

As discussed in Note 15 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 District'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 opinion. 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 District'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 District'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 financial section of our report 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

FINANCIAL SECTION

Lynnwood Public Facilities District
January 1, 2022 through December 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Lynnwood City Council formed the South Snohomish County Public Facilities District on August 24, 1999 by adoption of Ordinance No. 2266. The name of the District was changed to the Lynnwood Public Facilities District (District) on May 6, 2003. The District was created under the authority provided by the Washington State Legislature during the 1999 legislative session and since codified as RCW 35.57. The purpose of the Public Facilities District is to construct and operate a "regional center" in the City of Lynnwood. RCW 35.57 defines a regional center as a conference, convention or special events center, along with related parking.

A five-member board governs the District and is appointed to four-year terms by the Lynnwood City Council.

The District has authority under State law to issue debt, levy certain taxes, and enter into contracts. State legislation required that the District commence construction of its regional center by January 1, 2004. The District did in fact begin construction of the Lynnwood Convention Center on October 21, 2003. Construction was completed in March 2005, and the facility opened on April 30, 2005. In late 2022 the Lynnwood Convention Center rebranded as the Lynnwood Event Center. The Lynnwood Public Facilities District also rebranded as the District and began doing business under that name in February 2023.

The District completed its long-term financing in January 2005 and used it to pay off short-term debt. The Lynnwood Public Facilities District was one of the first Public Facilities Districts in the state to replace its interim financing with long-term fixed-rate debt. In 2015, the District refinanced its long-term financing to take advantage of lower interest rates.

As management of the District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2022. We also encourage readers to supplement this report with information contained in the City of Lynnwood's Annual Financial Report.

This discussion and analysis of the Lynnwood Public Facilities District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please review it in conjunction with the District's financial statements. These discussions will focus on current year data. Three primary financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.

FINANCIAL HIGHLIGHTS

- The District's overall financial position increased by $1,764,614 or 23.6%.
- The District's total assets and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2022 by approximately $9.3 million.
- The District's operating loss after depreciation of $701,899 was $2,333,881.
- The District added $94,057 of capital assets in 2022, including a server and the I LOVE Lynnwood Sculpture.
- The Lynnwood Event Center required a lower subsidy in 2022 compared to 2021 due to improved conditions related to recovery from COVID-19. The Lynnwood Event Center's net operating loss for 2022 was $791,159 compared to a net loss of $1,120,687 in 2021.
- Revenue from leased retail space (Convention Plaza) decreased by $189,796 from 2021 to 2022 due in part to implementation of GASB 87, which resulted in the reclassification of revenue from operating rental income to interest revenue.
- Lynnwood sales tax revenue increased 8.8% or $101,556 from 2021 to 2022; and total tax revenue increased by 4.3% ($159,326). Tax revenues include distributions from Snohomish County and City of Lynnwood, which are guaranteed by contract.

FINANCIAL ANALYSIS - REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Summary of Revenues, Expenses and Changes in Net Position				
	2022	**2021**	**Increase (Decrease)**	**Change**
Operating Revenues	3,713,643	2,146,911	1,566,732	73.0%
Non-Operating Revenues	4,722,729	3,925,652	797,077	20.3%
Total Revenues	8,436,372	6,072,563	2,363,809	38.9%
Operating Expenses	6,047,524	3,747,838	2,299,686	61.4%
Non-Operating Expenses	624,770	662,604	(37,834)	-5.7%
Total Expenses	6,672,294	4,410,442	2,261,852	51.3%
Increase (Decrease) in Net Position	**1,764,078**	**1,662,121**	**101,957**	**6.1%**

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

Operating revenues increased by $1,566,732 (or 73%), primarily due to recovery from the impact of COVID-19 on the Lynnwood Event Center's operations. This increase in revenue was offset by an increase of $2,299,686 (61.4%) in operating expenses (excluding depreciation), which reflects higher operating costs of the Lynnwood Event Center and investment in master planning.

Non-operating revenue increased by $797,077 (or 20.3%) primarily due to a significant increase in sales tax revenue and $437,500 in ARPA pass-through grants received. Non-operating expenses of $624,770 are due to the payment of the scheduled interest expense and environmental remediation costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements: Included are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and, the Notes to the Financial Statements.

- The *Statement of Net Position* focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets and deferred outflows of the District, the liabilities and deferred inflows it owes, and the net difference.
- The *Statement of Revenues, Expenses and Changes in Net Position* presents both operating and non-operating revenues, expenses, and other revenues and expenses for the District. Changes in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers of the District. Operating expenses are those expenses paid to acquire goods and services. Non-operating revenues are revenues received for which no goods or services have been provided. For example, PFD Sales Tax Revenue is non-operating because it is provided without a corresponding receipt of goods and services.
- The final statement presented by the District is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. There are five sections to the statement. The first section reflects the cash flows from operating activities and reflects the net cash used by operating activities. The second section details the cash flows from non-capital and related financing activities which reflect the PFD sales tax and Hotel/Motel tax received. The third section details the cash flows from capital and related financing activities. This represents the cash used for the acquisition of capital and related items. The fourth section reflects the cash flows from investing activities. The fifth section reconciles Net Cash Used to the Operating Income or Loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

FINANCIAL ANALYSIS

The District has presented its financial statements under the reporting model as required by the Governmental Accounting Standard Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments. The District's overall financial position increased by $1,764,078 or 23.6%. This increase reflects 2022 net income of $1,764,078 over an adjusted (re-stated) beginning net position of $7,486,614.

Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the District's financial position. The District's net position at December 31, 2022 totaled approximately $9.3 million. Following is a condensed version of the Statement of Net Position.

Condensed Statement of Net Position

	2022	2021	Increase (Decrease)	Change
Assets				
Current and other assets	11,889,668	11,036,141	853,527	7.7%
Non-current assets	21,519,515	21,375,869	143,646	0.7%
Total Assets	**33,409,183**	**32,412,010**	**997,173**	**3.1%**
Deferred Outflows	**112,889**	**44,915**	**67,974**	**151.3%**
Liabilities				
Current and other liabilities	3,163,848	2,823,987	339,861	12.0%
Long-term obligation	19,559,322	21,596,540	(2,037,219)	-9.4%
Total Liabilities	**22,723,169**	**24,420,527**	**(1,697,358)**	**-7.0%**
Deferred Inflows	**1,548,211**	**214,421**	**1,333,790**	**622.0%**
Net Position				
Net investment in capital assets	4,739,355	3,213,790	1,525,565	47.5%
Restricted	1,076,994	1,020,222	56,772	5.6%
Unrestricted	3,434,343	3,587,966	(153,623)	-4.3%
Total Net Position	**9,250,692**	**7,821,978**	**1,428,714**	**18.3%**

Change in Net Position

The change in net position table illustrates the increase or decrease in net position of the District resulting from its current year operating activities. In 2022, the District's net position increased by $1,764,078.

Following is a condensed version of the District's Statement of Revenues, Expenses and Changes in Fund Net Position.

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position	2022	2021	Increase (Decrease)	Change
Revenues				
Operating revenues				
Rental income and other operating income	3,713,643	2,146,911	1,566,732	73.0%
Non-operating revenues				
Intergovernmental revenue	4,573,535	3,892,923	680,612	17.5%
Interest revenue	146,194	7,322	138,872	1896.6%
Miscellaneous	3,000	25,407	(22,407)	-88.2%
Total Revenues	**8,436,372**	**6,072,563**	**2,363,809**	**38.9%**
Expenses				
Operating Expenses				
Supplies and contractual services	5,345,625	3,014,619	2,331,006	77.3%
Depreciation	701,899	733,219	(31,320)	-4.3%
Non-operating expenses				
Environmental Remediation	25,572	1,428	24,144	1690.8%
Interest expense	599,198	661,176	(61,978)	-9.4%
Total Expenses	**6,672,294**	**4,410,442**	**2,261,852**	**51.3%**
Increase (Decrease) in Net Position	**1,764,078**	**1,662,121**	**101,957**	**6.1%**
Net Position Beginning *	7,486,614	6,159,857	1,326,757	21.5%
Net Position Ending	**9,250,692**	**7,821,978**	**1,428,711**	**18.3%**

*2022 Beginning Net Position Restated - see Note 15

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District owned land, buildings and capital projects valued at $20.6 million. For additional information refer to Note 5.

Debt

The original amount of Long-Term Debt (2005) included $1.93 million Series A Sales Tax Bonds (taxable), $10 million Series B (tax-exempt) Sales Tax Bonds and $17.265 million Revenue Bonds (also tax exempt). The Series A Sales Tax Bonds were paid off in 2014. In 2015, the District refinanced the Series B Sales Tax Bonds and Revenue Bonds. A summary of the debt balance at December 31, 2022 follows:

	12/31/2022
General Obligation Bonds	3,308,200
Revenue Bonds	11,890,000
Premium on Revenue Bonds	640,297
Total Bonds Payable	15,838,497

Bond covenants require contingency and debt service reserves; for additional information see Note 6 – Restricted Assets. For additional information regarding long-term debt activity refer to Note 8 - Long Term Debt.

ECONOMIC OUTLOOK

2022 saw continued emergence from the Covid-19 pandemic and operations improving under the new operators Oakview Facilities Group (OVG 360). New key performance indicators were implemented prioritizing events that drive the most economic impact rather than merely filling the building. We achieved our goal of at least one high priority event in 2022 and have already surpassed our goal of having two in 2023. In addition, we revised our booking policy which increased revenue and implemented new sustainability practices to reduce costs. Bookings have increased significantly in 2023 with the Event Center having a few months comparable or exceeding numbers from 2019 prior to the pandemic. The biggest challenge in 2022 was managing staffing costs as more expensive contract staff were required to operate. Salaries were also increased for staff retention and recruitment. In 2023 we have succeeded in fully staffing the Center for our current load of events which will reduce costs overall from contract labor. We will receive American Rescue Plan Funds in the amount of $437,500 to help offset labor losses due to the pandemic. Additional revenue drivers in 2023 and beyond will include sponsorships, addition of grab and go food and beverage options and the hosting of signature events for more public attendance on the property. The Event Center has not needed any additional subsidy from The District in 2023 for operating and currently is expected to lose around $500,000 in 2023. Far below the $1.8 million that was projected. The Event Center also had some deferred capital investments during the pandemic. The District board approved over $500,000 to catch up on projects that were not done in 2020-2022.

The Convention Plaza tenant income is stable. However, the number of tenants is declining as some are choosing not to renew leases in advance of the master plan development. One of our largest income tenants was only temporarily offering Covid testing services. They have now shut down. The maintenance on our aging buildings is now at a higher ratio of our total rental income at about 25%. This could grow larger as more tenants depart.

The master plan work for the property made significant progress in 2023. This did require also significant increases in costs for consultants, architects, and their subcontractors. We hope to achieve financing in 2024 which will include some reimbursement to the District for these pre-development costs.

The District derives approximately 72% of its tax revenue from sales taxes. Of this total, 35% is guaranteed by interlocal agreement with Snohomish County, while the remaining 65% varies with the growth and decline of sales tax revenue within the City of Lynnwood. Overall, Lynnwood PFD sales tax revenue increased by 16.1% in 2021 and increased 8.8% in 2022 as the economy recovers from the impact of COVID-19.

Hotel/Motel tax is guaranteed through interlocal agreements with both the City of Lynnwood and Snohomish County. The District receives this revenue at a 3-4% increase per year.

The following table compares 2022 and 2021 non-operating PFD hotel/motel and sales tax revenues.

Governmental Tax Revenue			
	2022	**2021**	**% Change**
Lynnwood Sales Tax	1,260,811	1,159,255	8.8%
Lynnwood Hotel Tax[1]	558,088	541,833	3.0%
Snohomish County Sales Tax[1]	923,146	885,314	4.3%
Snohomish County Sales Tax 2nd Tier	423,402	291,847	45.1%
Snohomish County Hotel Tax[1]	714,868	842,740	-15.2%
Total	**3,880,315**	**3,720,989**	**4.3%**

[1] Amount guaranteed by contract

The following table compares budgeted and actual PFD hotel/motel and sales tax revenues in 2022.

Governmental Tax Revenue			
	2022 Actual	**2022 Budget**	**% Variance**
Lynnwood Sales Tax	1,260,811	1,131,003	10.3%
Lynnwood Hotel Tax[1]	558,088	558,088	0.0%
Snohomish County Sales Tax[1]	923,146	923,146	0.0%
Snohomish County Sales Tax 2nd Tier	423,402	423,402	0.0%
Snohomish County Hotel Tax[1]	714,868	876,449	-22.6%
Total	**3,880,315**	**3,912,088**	**-0.8%**

[1] Amount guaranteed by contract

On January 1, 2010, Washington State implemented the Streamlined Sales and Use Tax Agreement (SSTA) – a national tax simplification effort – whereby the State changed its method of allocating sales tax such that sales tax is allocated to the point of delivery rather than to point of sale. This change has affected sales tax revenues by shifting revenues among local taxing jurisdictions with some jurisdictions losing revenues and other jurisdictions gaining revenues. The Washington State Legislature identified a process to mitigate the impact of SSTA on Public Facilities Districts, giving PFDs the ability to raise their sales tax rate from .033%, in increments of .001%, up to .037%, in order to recover the loss in revenue. As a result, the Lynnwood PFD was able to raise its rate to .034% effective January 1, 2010; to .035% effective January 1, 2011; and subsequently, to .036% effective January 1, 2012.

CONTACTING THE LYNNWOOD PFD

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lynnwood PFD Administrative Offices at 3815 196th Street SW, Suite 136, Lynnwood, WA 98036.

LYNNWOOD PUBLIC FACILITIES DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	6,592,727
Investments		2,035,360
Restricted Cash & Cash Equivalents		1,046,257
Receivables, net		1,508,914
Lease Receivable - current		612,063
Prepaid Expenses		81,365
Inventory		12,982
TOTAL CURRENT ASSETS		11,889,668
Noncurrent Assets:		
Lease Receivable - non-current		831,676
Capital Assets not Being Depreciated:		
Land		6,788,800
Construction in Progress		62,875
Capital Assets, net of accumulated depreciation:		
Buildings		12,830,634
Capital Improvements		236,409
Furniture & Equipment		27,091
Repair, Replace, Rehab Assets - Event Center		647,790
Net Pension Asset		94,240
TOTAL NONCURRENT ASSETS		21,519,515
TOTAL ASSETS		33,409,183
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		19,019
Deferred Outflows Related to Pensions		93,870
TOTAL OUTFLOWS OF RESOURCES		112,889
LIABILITIES		
Current Liabilities:		
Accounts Payable		359,772
Accrued Expenses		85,615
Advance Deposits - LCC		353,661
Current Portion of OVG Investment Payable		50,847
Current Portion of Compensated Absences		13,457
Current Portion of Leases Payable		3,638
Current Portion of Long-Term Obligations		2,296,858
TOTAL CURRENT LIABILITIES		3,163,848
Noncurrent Liabilities:		
OVG Investment Payable		156,780
Compensated Absences		13,457
Leases Payable		13,803
Series B Sales Tax Bonds (Non-Taxable)		2,159,700
Revenue Bonds and Premium		11,381,939
Environmental Remediation		5,619,992
Security Deposits		46,257
Net Pension Liability		54,239
Total OPEB Liability		113,155
TOTAL NON-CURRENT LIABILITIES		19,559,322
TOTAL LIABILITIES		22,723,169
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding		17,325
Deferred Inflows Related to Leases		1,417,415
Deferred Inflows Related to Pensions		113,471
TOTAL INFLOWS OF RESOURCES		1,548,211
NET POSITION		
Net Investment in Capital Assets		4,739,355
Restricted for Pensions		76,994
Restricted for Debt Service - Contingent Loan Agreement		1,000,000
Unrestricted		3,434,343
TOTAL NET POSITION		9,250,692

The accompanying Notes to Financial Statements are an integral part of this statement.

LYNNWOOD PUBLIC FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES	
Revenue - Convention Plaza	1,122,732
Revenue - Lynnwood Event Center	2,548,538
Other Operating - PFD	42,373
TOTAL OPERATING REVENUES	3,713,643
OPERATING EXPENSES	
Costs of Sales and Services - Convention Plaza	514,774
Administration and General	1,491,154
Lynnwood Event Center Operations	3,339,697
Depreciation and Amortization	701,899
TOTAL OPERATING EXPENSES	6,047,524
OPERATING INCOME (LOSS)	(2,333,881)
NON-OPERATING REVENUES (EXPENSES)	
PFD Sales Tax	1,260,811
City Of Lynnwood Hotel/Motel Tax	558,088
Snohomish County Hotel/Motel Tax	714,868
Snohomish County Sales Tax	923,146
Snohomish County Second Tier Sales Tax	423,402
Department of Ecology Grant	255,720
ARPA Pass-Through from Snohomish County	437,500
Interest Income	146,194
Environmental Remediation	(25,572)
Interest Expense/Financing Costs	(599,198)
Gain on Asset Disposal	3,000
TOTAL NON-OPERATING REVENUES	4,097,959
Net Income (Loss)	1,764,078
Total Net Position - Beginning	7,821,978
Prior Period Adjustment	(335,364)
Total Net Position - Ending	9,250,692

The accompanying Notes to Financial Statements are an integral part of this statement.

Lynnwood Public Facilities District
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows from Operating Activities:		
Cash Receipts from Customers/Tenants		3,497,076
Cash Paid to Suppliers and Employees		(5,141,725)
Deposits Received from (Paid to) Customers/Tenants		(62,759)
Net Cash Provided (Used) by Operating Activities		(1,707,408)
Cash Flows from Non-Capital Financing Activities:		
Sales Tax		2,583,941
Hotel/Motel Tax		1,397,091
Net Cash Provided (Used) by Non-Capital Financing Activities		3,981,032
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets		(74,845)
Principal Payment on Sales Tax Bonds - Refunding		(1,108,300)
Principal Payment on Revenue Bonds - Refunding		(985,000)
Principal Paid on Leases		(1,771)
Proceeds From Disposal of Capital Assets		3,000
Department of Ecology Grant		28,046
Environmental Remediation		(25,572)
Interest Paid on Debt		(656,746)
Net Cash Provided (Used) by Capital and Related Financing Activities		(2,821,188)
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments		1,073,766
Purchase of Investments		(1,110,000)
Proceeds from Interest and Investment Income		191,319
Net Cash Provided (Used) by Investing Activities		155,085
Increase (Decrease) in Cash and Cash Equivalents		(392,479)
Cash and Cash Equivalents, January 1, 2022		8,031,463
Cash and Cash Equivalents, December 31, 2022		7,638,984
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)		(2,333,881)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		701,899
Change in Assets & Liabilities:		
(Increase) Decrease in Accounts Receivable		(397,870)
(Increase) Decrease in Lease Receivables and Related Inflows		(26,324)
(Increase) Decrease in Prepaid Assets		(16,974)
(Increase) Decrease in Inventory		1,103
Increase (Decrease) in OVG Investment		207,627
Increase (Decrease) in Accounts Payable		189,926
Increase (Decrease) in Accrued Expenses		6,595
Increase (Decrease) in Advanced Deposits		(63,259)
Increase (Decrease) in Compensated Absences		3,828
Increase (Decrease) in Security Deposits		500
Increase (Decrease) in Pension Asset/Liability, net of Deferred Inflows/Outflows		(29,616)
Increase (Decrease) in OPEB		49,038
Total Adjustments		626,473
Net Cash Provided (Used) by Operating Activities		(1,707,408)
Schedule of Non-Cash Activities		
Increase (Decrease) in Fair Market Value of Investments	$	(45,125)
Capital Assets Acquired Through Lease Financing		(19,212)
Total Non-Cash Activities		(64,337)

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2022 THROUGH DECEMBER 31, 2022

The accompanying notes are an integral part of the enclosed financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Organization and Purpose

The Lynnwood Public Facilities District was created by the City of Lynnwood through Ordinance No. 2266 pursuant to Chapter 165, Laws of 1999, State of Washington, including the authority to acquire, construct, own, finance, and operate a regional center, on August 24, 1999.

The District is governed by a five-member Board of Directors, appointed by the Lynnwood City Council pursuant to Lynnwood Resolution No. 99-08. The District is a component unit of the City of Lynnwood and is included in the consolidated financial statements of the City.

B. Reporting Entity

The financial statements and the accompanying notes of the District include all funds for which the Board of Directors has oversight responsibility. There is currently one fund created and operated in support of the interests of the District.

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

For financial reporting purposes, the District is considered a proprietary fund engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the full accrual basis of accounting. Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability has incurred, regardless of the timing of related cash flows. In this fund, capital asset purchases are capitalized, and long-term liability is recorded. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the district are lease revenue, event revenue, ancillary revenue, and property management revenue. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District uses the Budgeting, Accounting and Reporting System (BARS) as prescribed by the State Auditor's Office.

D. Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources, the accounts of the District are maintained in accordance with the principles of fund accounting. The accounts relating to specified activities or objectives have been classified as one fund, a proprietary fund.

E. Cash and Cash Equivalents

In the Statement of Net Position, Cash and Equivalents includes cash in the bank, petty cash, security deposits, and short-term investments with maturity dates of three months or less which includes the funds held in the Local Government Investment Pool.

F. Deposits and Investments

The District reports monetary investments at fair value in the Statement of Net Position. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. See Note 3.

G. Capital Assets

See Note 5.

H. Receivables

Taxes receivable consists of Sales tax and Hotel/Motel tax. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services.

I. Inventories

Inventories are defined as assets that may be held for internal consumption or for resale. Inventory items are recorded as expenditures when purchased and is stated at cost.

K. Compensated Absences

In 2022, the District's Board approved internal Fiscal and HR Polices. The District now uses Paid Time Off (PTO) to in lieu of vacation and sick leave. The PTO accrual is capped at 288 hours. Each employee who has resigned, been terminated, or retired shall be compensated for any accumulated PTD leave earned prior to the effective date of the employment separation up to the maximum accrual of 288 hours.

L. 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.

For purposes of calculating the restricted net position related to the pension asset, the District includes the net pension asset and the related deferred outflows and deferred inflows.

M. Deferred Outflows/Inflows of Resources

In the Statement of Net Position, Deferred Outflows/Inflows of Resources includes loss/gain on refunding of the District Bonds in 2015 and the District's inflows/outflows related to pensions and OPEB.

N. Leases

<u>Lessee</u>

The District is a lessee for noncancelable leases. The District recognizes lease liabilities and intangible right-to-use lease assets in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements include how the District determines the discount rate it uses to discount lease payments to present value, lease term and lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor
The District is a lessor for noncancelable leases. The District recognizes lease receivables and related deferred inflows of resources in the Statement of Net Position.

At the commencement of a lease the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements include how the District determines the discount rate it uses to discount the expected lease payments to present value, lease terms and lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

NOTE 2 – COMPONENT UNIT INFORMATION

The District is included in the consolidated financial statements of the City of Lynnwood as a discretely presented component unit.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2022 was $1,048,640 which includes a certificate of deposit in the amount of $266,256 and a bank balance of $782,384.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

Investments in Local Government Investment Pool (LGIP)
As of December 31, 2022, the District held the following investments in the LGIP:

Type of Investment	Maturities	District's Own Investments
Local Government Investment Pool	Less than one year	6,590,344
Total Investments at Amortized Cost		**6,590,344**

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

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

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer at at http://www.tre.wa.gov.

Investments Measured at Fair Value
The district measures and reports investments at fair value using the valuation input hierarchy established by general accepted account principles, as follows:

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

As of December 31, 2022, the District had the following investments measured at fair value:

Investment Type	Maturity Date	Total	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Farmer MAC	4/6/2023	247,421		247,421	
Federal Natl Mortage Assn	7/10/2023	244,092		244,092	
US Treasury Strip	2/28/2023	199,035	199,035		
US Treasury Note	11/15/2023	265,434	265,434		
Federal Home Loan Bank	3/8/2024	334,250		334,250	
Federal Farm Credit Bank	6/10/2024	262,524		262,524	
Federal Home Loan Bank	9/13/2024	249,050		249,050	
Federal Home Loan Bank	12/20/2024	233,554		233,554	
Total Investments Measured at Fair Value		**2,035,360**	**464,469**	**1,570,891**	**-**

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a nationally recognized statistical rating organization. The Washington State Local Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

Custodial credit risk: Custodial credit risk is the risk that, in event of a failure of the counterparty to an investment transaction the district would not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Of the District's total position of $2,035,360 in investments, $0 is exposed to custodial credit risk because the investments are held by the District's brokerage firm, which is also the counterparty in those securities.

The District does not have any contractual provisions for cash deposits and investments.

NOTE 4 – DISCLOSURE OF OPERATING INFORMATION

The District accounts for PFD Operations, Convention Plaza Operations, and Lynnwood Event Center Operations. Financial Highlights are as follows:

	PFD		Convention Plaza		Event Center	
Operating Revenues	$	42,373	$	1,122,732	$	2,548,538
Operating Expenses	$	(1,491,154)	$	(514,774)	$	(3,339,697)
Totals	**$**	**(1,448,781)**	**$**	**607,958**	**$**	**(791,159)**

NOTE 5 - CAPITAL ASSETS

Capital assets are recorded at cost on the date of acquisition (historical value). The capitalization threshold is $5,000 for personal property, buildings/building improvements, infrastructure, facilities and other improvements, software developed for internal use and land improvements.

The District is required to depreciate capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (see table below).

Asset Class	Useful Life (years)
Lynnwood Convention Center Building	45
Infrastructure (Sewer Upgrade)	20
Improvements	2 - 20

A summary of changes in general governmental capital assets is as follows:

Business-Type Activities:	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land	6,788,800	-	-	6,788,800
Construction in Progress	26,544	36,331	-	62,875
Total Capital Assets, not being depreciated	**6,815,344**	**36,331**	**-**	**6,851,675**
Capital assets, being depreciated:				
Building	21,197,282	-	-	21,197,282
Tenant and Leasehold Improvements	683,947	-	-	683,947
Other Improvements	80,895	-	-	80,895
Capital Improvements-LCC	847,724	-	19,817	827,907
Furniture & Fixtures	-	12,000	-	12,000
Leased Equipment	-	19,212		19,212
RRR-LCC	1,679,140	26,514	-	1,705,654
Total Capital Assets, being depreciated	**24,488,989**	**57,726**	**19,817**	**24,526,898**
Less accumulated depreciation for:				
Building Depreciation	7,874,838	491,810	-	8,366,648
Tenant and Leasehold Improvements Depreciation	623,590	16,811	-	640,401
Other Improvements Depreciation	39,223	6,740	-	45,963
Capital Improvements-LCC Depreciation	623,526	66,267	19,817	669,976
Furniture & Fixtures Depreciation	-	2,200	-	2,200
Leased Equipment Depreciation	-	1,921	-	1,921
RRR-LCC Depreciation	941,714	116,150	-	1,057,864
Total accumulated depreciation	**10,102,891**	**701,899**	**19,817**	**10,784,973**
Total Capital Assets, being depreciated, net	**14,386,098**	**(644,173)**	**-**	**13,741,925**
Business-type activities capital assets, net	**21,201,442**	**(607,842)**	**-**	**20,593,600**

NOTE 6 - RESTRICTED ASSETS

A summary of the District’s restricted assets are as follows:

Restricted Assets	
Security Deposits	46,257
Contingency Reserve	1,000,000
Total	**1,046,257**

Security Deposits: Restricted by leases between the District and tenants of the Convention Plaza.

Contingency Reserve: Restricted as required by bond indentures and Contingent Loan Agreement with the City of Lynnwood.

NOTE 7 – LEASES

Lessee

The District leases copiers under a 60-month noncancelable lease ending in 2027.

Leased assets for the year ended December 31, 2022, are summarized as follows:

Description	Beginning	Increases	Decreases	Ending
Copiers	-	19,212	-	19,212
Accumulated depreciation	-	(1,921)	-	(1,921)
Total	$ -	$ 17,291	$ -	$ 17,291

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2023	3,638	562	4,200
2024	3,770	430	4,200
2025	3,906	294	4,200
2026	4,048	152	4,200
2027	2,079	22	2,101
Total	$ 17,441	$ 1,460	$ 18,901

Lessor

The District is the lessor in real property leases, under non-cancelable agreements of varying lengths and termination dates. In 2022, the District received $631,981 in principal and $60,816 in interest on these leases.

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

Year	Principal	Interest	Total
2023	612,063	34,623	646,686
2024	384,370	17,374	401,745
2025	203,601	11,885	215,487
2026	63,195	9,282	72,477
2027	52,786	6,980	59,767
2028-2030	127,722	6,753	134,475
Total	$ 1,443,739	$ 86,897	$ 1,530,636

NOTE 8 - LONG TERM DEBT

The District issued general obligation and revenue bonds to finance the purchase of land and the construction of the Lynnwood Event Center. General obligation bonds have been issued for business type activities and are being repaid (pledged) from applicable resources that include Net Auxiliary Facility Revenues and District Sales Tax. The revenue bonds are being repaid (pledged) by proprietary fund resources that include but are not limited to County PFD Sales Tax, County H/M Taxes, City H/M Taxes, and Event Center/District Revenues. See debt coverage ratios below for specific amounts.

The original amount of Long-Term Debt includes $1.93 million Series A Sales Tax Bonds (taxable), $10 million Series B (tax-exempt) Sales Tax Bonds and $17.265 million Revenue Bonds (tax-exempt) which replaced all short-term commercial paper. The Series A Sales Tax Bonds were paid off in 2014.

On April 15 and June 15, 2015, the District issued Refunding Bonds in the amount of $15,605,000 and $9,877,100, respectively, in order to refund the Event Center Revenue Bonds and Series B Sales Tax Bonds that financed the purchase of land and the construction of the Lynnwood Event Center. At issuance, the Revenue Bonds were sold at a premium of $1,042,345. The premium is being amortized as adjustments to interest expense over the life of the bonds. The blended interest rate is 3.57% for the Revenue Bonds. The Series B Sales Tax Bonds were refunded with a single bond issued by Pinnacle Bank (Private Placement) at a rate of 2.48%.

The City of Lynnwood guarantees the District's Long-Term Debt through a Contingent Loan Agreement for the total amount of the debt that terminates only upon the repayment or defeasance of all the Long-Term Obligations and the repayment of any obligations owed by the District to the City under this agreement. Also included in that agreement is to allow the City to use the Event Center four times a year.

Restricted assets contain $1,000,000 in reserves as required by bond indentures. In 2022, the District did not draw on these funds as pursuant to the Contingent Loan Agreement.

The table below summarizes the District's long-term debt to maturity for the year ended December 31, 2022.

Description	Original Amount Issued	Date of Original Issue	Date of Final Maturity	Interest Rates	Amount of Installments	Balance 12/31/2022
Convention Center Sales Tax Refunding Bonds	9,877,100	6/15/2015	12/1/2025	2.48%	$12,047-$1,214,980	3,308,200
Convention Center Revenue Refunding Bonds	15,605,000	4/15/2015	12/1/2034	3%-5%	$19,594-$1,997,597	11,890,000
Total	**25,482,100**					**15,198,200**

Changes in Long-Term Liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

Business-Type Activities	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Bonds payable					
General Obligation Bonds (Private Placement)	4,416,500	-	1,108,300	3,308,200	1,148,500
Revenue Bonds	12,875,000	-	985,000	11,890,000	1,095,000
Premium on Revenue Bonds	693,655	-	53,358	640,297	53,358
Total Bonds Payable	**17,985,155**	**-**	**2,146,658**	**15,838,497**	**2,296,858**
Compensated absences	23,085	3,828	-	26,913	13,457
Leases	-	19,212	1,771	17,441	3,638
Environmental Remediation	5,619,992		-	5,619,992	-
Net Pension Liability	16,634	37,605	-	54,239	-
OPEB Liabilities	64,117	49,038	-	113,155	-
Business-type Activities Long Term Liabilities	**23,708,983**	**109,683**	**2,148,429**	**21,670,237**	**2,313,953**

The debt service requirements to maturity for revenue and general obligation bonds are as follows:

Business-Type Activities					
Year Ending	Revenue Bonds		GO Bonds (Private Placement)		
December 31,	Principal	Interest	Principal	Interest	Total
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	605,000	269,831	-	-	874,831
2028 - 2032	3,960,000	887,238	-	-	4,847,238
2033 - 2034	2,025,000	115,125	-	-	2,140,125
Total	**$ 11,890,000**	**$ 2,997,413**	**$ 3,308,200**	**$ 159,697**	**$ 18,355,311**

In proprietary funds, unamortized debt issue costs for insurance are recorded as deferred inflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Debt Service Coverage Ratios for 2022:

General Obligation Bonds	Net Auxiliary Facility Revenues	District Sales Tax	Balance Available	Principal Paid 2022	Interest Paid 2022	Sales Tax Bonds Debt Service	Debt Service Coverage for Sales Tax Bonds
Convention Center Sales Tax Bonds	607,958	1,260,811	1,868,769	1,108,300	109,529	1,217,829	1.53

Revenue Bonds	County PFD Sales Tax Revenues	County H/M Taxes	City H/M Taxes	Convention Center/District Revenue (Loss)	Balance Available	Principal Paid 2022	Interest Paid 2022	Revenue Bond Debt Service	Debt Service Coverage for Revenue Bonds
Convention Center Revenue Bonds	923,146	1,346,548	558,088	(2,239,940)	587,842	985,000	546,888	1,531,888	0.38

The Lynnwood Public Facilities District received an underlying rating of AA+ for both the Revenue and Sales Tax Refunding Bonds from Standard and Poor's in March 2015.

State statutes limit the amount of general obligation debt the District can issue to a percentage of the total assessed value of the taxable property within the District. The District is allowed up to 1/2 of one percent of the total assessed value without voter approval. The District has $3,308,200 of general obligation debt which is .04 percent of the total assessed value.

The District's general obligation debt has a term in the bond documents that if a covenant is breached or a default occurs then the District shall pay to Pinnacle Bank, within 30 days after the bank notifies the District of such determination, the amount which, with respect to interest on the Bond previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal taxes imposed on the interest on the Bond due and through the date of such event) that are imposed on the interest on the Bond as a result of the loss of the exclusion, will restore the bank the same after-tax yield on the Bond (assuming tax at the highest marginal corporate tax rate) that it would have realized had the exclusion not been lost. This could have a financial impact on the District.

Arbitrage: The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investments income received at yields that exceed the issuer's tax-exempt borrowing rates. The District's yields did not exceed its borrowing rate; therefore, federal arbitrage is not applicable.

NOTE 9 – MAJOR AGREEMENTS

A. Facility Management Contract

The District released a Request for Proposal in July 2021 when the contract extensions for our initial operator ASM Global expired. Jones Lang LaSalle (JLL) was contracted to coordinate the RFP process. Oakview Facilities Group (OVG360) was approved by the board as the next operator in November 2021 and started in February 2022. ASM Global remained through January 2021.

In 2022 the District renewed our umbrella contract with JLL that includes convention center support while we establish our new operator and build on our key performance indicators to increase economic impact. Activities have included rewriting our booking policy, hiring the general manager, implementing a new customer relationship management software and a new customer survey system. In addition, JLL assists with current property management and future retail development for our master plan. In 2022 we added master plan project management and finance feasibility to the umbrella contract. Those activities have included completing our initial design, hiring architects and related subcontractors, developing the request for information for our future private partners for the development, and government and community advocacy work. We continue to work on the financial feasibility and anticipate a financial proforma in 2023.

Other major agreements have been developed to assist in the redevelopment. We continue our work with GeoEngineers on testing to complete the environmental clean up on the property as part of our clean up action plan for the Dept. of Ecology related to a past dry cleaner. We have also contracted with the law firm Van Ness Feldman for land use and advocacy work for the project including completing a development agreement with the City of Lynnwood.

B. Interlocal Agreements

The District, the City of Lynnwood, Snohomish County and the Snohomish County Public Facilities District have entered into various interlocal agreements since the Lynnwood Public Facilities District was formed in 1999. The "Supplemental Interlocal Agreement Regarding Financing for Multijurisdictional Convention Center Facility By and Between The City of Lynnwood and Lynnwood Public Facilities District," approved in September 2004, contains sections that are designed to ensure the long-term financial health of the District:

Section 4.1. District shall not issue the Long-Term Obligations in a total principle amount greater than a total of $33 million (including completion bonds) without prior written approval of the City.

Section 4.2. District shall establish and maintain a contingency reserve fund (CRF).

- The CRF shall be initially funded in the amount of not less than $700,000, from District revenues other than proceeds of the Long-Term Obligations.
- The amount in the CRF shall be increased by not less than $100,000 per year until the balance in that fund is $1,000,000, from funds available after the District's Operation and Maintenance Expenses and debt service on the Long-Term Obligations.
- CRF shall be held separate and apart from other District funds.
- The CRF may be drawn upon with prior written consent of the City for any draws that would reduce the fund balance to less than $1,000,000, solely for the following purposes:
  - Repair or replacement of District property damaged or destroyed by an event beyond the District's reasonable control;
  - Extraordinary operating costs beyond the District's budget;
  - Necessary repair, replacement and rehabilitation costs that are not fully provided for by amounts set aside under the District's 3R Plan;
  - Debt service on, and retirement and redemption of, the Long-Term Obligations;
  - Such other District purposes as may be approved by the City.
- The District shall notify the City of any draw on the CRF for depositing money into the debt service fund for the Long-Term Obligations.

Section 4.3.

- Each month, the District shall irrevocably deposit into each of its debt service funds for the Long-Term Obligations, an amount equal to approximately 1/12 of the next payment of principal coming due, and approximately 1/6 of the next payment of interest coming due.
- The District shall inform the City immediately if the District fails to make any such deposit in full, and the District shall also inform the City at any time that the District determines that there is a reasonable possibility that the District may not be able to timely and fully provide for a debt service payment on the Long-Term Obligations when due.
- The District shall also transfer a sufficient amount to provide for each debt service payment on the Long-Term Obligations to its fiscal agency, at least five business days prior to the applicable payment date.

Section 4.7. The District shall not: issue any bonds with a parity of lien on the revenues pledged to the Revenue Bonds, without the City's written approval; and incur any general obligations in excess of $500,000 principal amount without the City's written approval.

Section 4.8. The District shall develop and maintain a Repair, Replacement and Rehabilitation Plan (a "3R Plan").

- The 3R Plan shall be funded after applying available revenue to Operation and Maintenance Expenses and to debt service.
- The District shall make periodic deposits in special fund or account dedicated to carrying out the elements of the 3R plan.
- After funding the 3R Plan, funds may be used for:

- Additional costs of advertising, marketing and business promotion;
- Additional improvements and upgrades of the Convention Center;
- Retirement or defeasance of the Long-Term Obligations; and,
- Other purposes consistent with the Four Party Agreement and state law.

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(54,239)
Pension assets	94,240
Deferred outflows of resources	93,870
Deferred inflows of resources	(113,471)
Pension expense/expenditures	5,234

State Sponsored Pension Plans
Substantially all Lynnwood PFD's full-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 downloaded from the DRS website at www.drs.wa.gov.

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

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

Contributions
The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022		

PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	

Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

The District's actual PERS plan contributions were $12,919 to PERS Plan 1 and $21,930 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% 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:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 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.

Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020, AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment rate of return was reduced from 7.5% to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns 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, 2022, 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$72,463	$54,239	$38,334
PERS 2/3	$110,980	($94,240)	($262,841)

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, 2022, the District reported its proportionate share of the net pension liabilities (assets) as follows:

	Liability (or Asset)
PERS 1	$54,239
PERS 2/3	($94,240)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.001362%	.001948%	.000586%
PERS 2/3	.001751%	.002541%	.000790%

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

Pension Expense

For the year ended December 31, 2022, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$40,076
PERS 2/3	($34,842)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$8,989
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$6,635	
TOTAL	$6,635	$8,989

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$23,350	$2,133
Net difference between projected and actual investment earnings on pension plan investments		$69,672
Changes of assumptions	$52,526	$13,753
Changes in proportion and differences between contributions and proportionate share of contributions	$202	$18,923
Contributions subsequent to the measurement date	$11,157	
TOTAL	$87,235	$104,482

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2023	(3,804)	(25,319)
2024	(3,455)	(22,696)
2025	(4,334)	(26,750)
2026	2,604	28,547
2027	-	8,257
Thereafter	-	9,557

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYEMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2022:

Aggregate OPEB Amounts	
OPEB liabilities	$ 113,155
OPEB assets	$ -
OPEB expense	$ 49,477

In addition to pension benefits as described in Note 10, the District, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per Revised Code of Washington (RCW) 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system and the participation of the District in the PEBB provided health insurance plan. The OPEB liability arises from health insurance cost subsidies, both explicit and implicit, provided by the District to qualified retirees.

As of June 30, 2022 (measurement date), 3 active employees and zero retirees were covered by the plan.

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. During the year ended December 31, 2022 no amounts were paid for OPEB benefits.

Assumptions and Other Inputs
The District uses the alternative measurement method (AMM) in determining its total OPEB liability.

The AAM is accomplished by utilizing the AMM Online Tool provided by the Washington State Office of the State Actuary (OSA). The OSA relied on its OPEB Actuarial Valuation for the State's June 30, 2022 Fiscal Year-End report for the purpose of developing the AMM Online Tool.

The total OPEB liability was determined using the following methodologies: actuarial valuation date was June 30, 2022 and the measurement date was June 30, 2022. The actuarial cost method was Entry Age. The amortization method used immediate recognition.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 2.75% and the projected salary change was 3.50% plus service-based salary increases. Health care trend rates assumptions vary slightly by medical plan. The initial rate ranges from approximately 2-11%, reaching an ultimate rate of approximately 4.3% in 2075. The post-retirement participation rate is 65.00% and the percentage with spouse coverage is 45.00%.

In projecting the growth of the explicit subsidy, a statutory cap on the explicit subsidy is assumed to grow at the health care trend rates. The Washington State Legislature determines the value of the cap and no future increases are guaranteed, however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the PubG.H-2010 (General) table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using MP-2017 Long-Term Rates. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The discount rate used to measure the total OPEB liability was 2.16 percent at the beginning of the measurement year and 3.54 percent at the end of the measurement year.

Specific assumptions made by the Office of the State Actuary to develop the AMM Online Tool that vary from those described above are: 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan, UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan, the KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value, the KP post-Medicare costs and premiums are equal to KP Medicare. The estimated retirement service for each active cohort is based on the average entry age of 35. Assumption for retirement, disability, termination, and mortality are based on the 2022 PEBB OPEB Actuarial Valuation Report with the assumptions that all employees are retirement eligible at age 55, retirement rate is that for members with < 30 years of service, and 100% retirement rate after the age of 70. Each cohort is assumed to be a 50/50 male/female split and eligible spouses are the same age as the primary member. The age-based cohorts were based on the overall distribution of Washington State employees and retirees that participate in PEBB.

The following presents the total OPEB liability 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 1.0 percentage point lower or 1.0 percentage point higher than the current rate.

	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 96,140	$ 113,155	$ 134,489

The following presents the total OPEB liability calculated using the discount rate of 3.54%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (2.54%) or 1.0 percentage point higher (4.54%) than the current rate.

	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 132,613	$ 113,155	$ 97,442

Changes in the Total OPEB liability

	2022
Total OPEB Liability beginning	$ 64,117
Service Cost	$ 3,393
Interest	$ 1,454
Changes in Experience Data and Assumptions	$ 44,630
Changes in Benefit Terms	$ -
Benefit Payments	$ (439)
Other	$ -
Total OPEB Liability at June 30, 2022	**$ 113,155**

There were no significant changes to benefit terms that affected measurement of the total OPEB liability since the prior measurement date. The change in prior year OPEB estimate shown above reflects the change in accounting estimate resulting from additional information about covered population made known in the current year. There were no benefit payments in the measurement period attributable to the purchase of allocated insurance contracts. The OPEB measurement date differs from the financial statement reporting date. There are no significant factors to disclose as a result. The total OPEB expense recognized for the year ended June 30, 2022, was $49,477.

NOTE 12 – DEFERRED COMPENSATION PLAN (DCP)

The District offers its employees a deferred compensation plan. This plan is administered by the State of Washington Department of Retirement and consists of employee contributions except where the employee's contract requires a District contribution. Membership in DCP consisted of zero Active Plan Members as of December 31, 2022 and zero contributions were made during 2022.

Plan assets are not the property of the District and are not subject to the claims of the District's creditors.

NOTE 13 – INSURANCE POOL

Lynnwood Public Facilities District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution and Cyber coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Liability:				
Comprehensive General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	$0 Fully funded by Pool	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property [2]:				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5% of indemnity, subject to $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage[6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require specific co-pay or deductible.
(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair c replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cove

Enduris or the District did not have any claim settlements that exceeded the limits in the last 3 years.

NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS

A drycleaner operated in the southernmost tenant spaces of the Convention Plaza strip mall between 1967 and 1982. The District acquired the property in 2001. Before closing the purchase of the property, the PFD conducted a limited Phase II environmental review. Two soil samples taken directly south of the former dry cleaner were tested. PCE, a common dry-cleaning chlorinated solvent, was detected in one sample at a concentration (0.046 milligrams per kilogram mg/kg) less than the MTCA Method A cleanup level of 0.05 mg/kg. The PFD entered into negotiations with a potential hotel developer in 2012. When the developer was informed that a dry cleaner operated on the site in the past, the developer terminated the negotiations. The PFD began a further analysis of the extent of the dry-cleaning contamination at that time. The District has determined that future investigation and clean-up costs associated with the former Alderwood Laundry and Dry Cleaner constitutes the District's pollution remediation obligation. In June 2018, GeoEngineers (PFD's Geotech consultants) submitted a Remedial Investigation Report to Ecology. In December 2020 the District received a $200,000 Brownsfield Grant from the Environmental Protection Agency administered by the Department of Ecology (DOE) to finalize our studies. GeoEngineers completed additional outdoor and indoor testing to submit to DOE a Data Gap Assessment, a Final Feasibility Study and a Final Clean Up Action Plan which were approved by DOE. We received a notice that a no further action letter will be issued to the District for this site if the submitted clean up action plan is followed.

Remediation activities included in this cost estimate include the following future anticipated activities, per the Guidelines (GASB 49): supplemental site assessment, feasibility study, remediation design, cleanup, operation and maintenance of the remedy, and post remediation monitoring. GeoEngineers made reasonable and supportable assumptions in order to develop this cost estimate; the assumptions are based on their best professional judgment, experience, understanding and interpretation of site conditions, and information provided by the PFD. One of the key assumptions used in the pollution remediation cost estimates is that the existing building will be removed before supplemental site assessment and remediation activities are conducted and the working condition of the site surface during remediation will be either asphalt pavement or concrete slab on grade (e.g. existing building floor). The PFD's Project Management Team has prepared a cost estimate at current value for the removal of the building to be $3,069,992. The remediation cost estimate for future years is as follows (it is expected that no costs will be incurred prior to 2024):

Remediation Cost Estimate Lynnwod PFD	
Construction - demolition of asphalt/debris, excavation, soil removal, placement of replacement backfill and asphalt mat	650,000
Bioremediation and biochemical reduction	785,000
Performance and compliance monitoring	765,000
Professional and adminstrative services	350,000
Total	2,550,000

On or about July 28, 2014, the District filed a complaint in Snohomish County Superior Court, against several private parties alleging claims for cost recovery and declaratory relief under Washington's Model Toxics Control Act, Chapter 70.105D RCW ("MTCA"). In August 2017, the District entered into a Release and Settlement Agreement to resolve this claim at issue in the complaint. As a consequence of the agreement, the District received a settlement check in the amount of $100,000 from Illinois National Insurance Company.
This settlement involved a dismissal of all claims pertaining to the former Alderwood Dry Laundry and Dry Cleaner.

NOTE 15 – ACCOUNTING AND REPORTING CHANGES

New Accounting Standards
In 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as

inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of the information about governments' leasing activities.

Prior Period Adjustment

A prior period adjustment in the amount of ($335,364) is reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position to correct over-reported (over-accrued) tax revenue from 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability Plan PERS 1 As of June 30, 2022	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.001948%	0.001362%	0.001833%	0.001871%	0.001906%	0.001899%	0.001956%	0.001892%
Employer's proportionate share of the net pension liability	54,239	16,633	64,715	71,947	85,123	90,109	105,046	98,969
Employer's covered employee payroll	334,863	227,643	279,073	262,378	253,271	239,413	234,328	227,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	16.20%	7.31%	23.19%	27.42%	33.61%	37.64%	44.83%	43.54%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	45.39%	53.11%

Schedule of Proportionate Share of the Net Pension Liability Plan PERS 2/3 As of June 30, 2022	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.002541%	0.001751%	0.002399%	0.002414%	0.002458%	0.002442%	0.00251%	0.002445%
Employer's proportionate share of the net pension liability (asset)	(94,240)	(174,428)	30,682	23,448	41,968	84,848	126,377	87,361
Employer's covered employee payroll	334,863	227,643	279,073	262,378	253,271	239,413	234,328	227,303
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-28.14%	-76.62%	10.99%	8.94%	16.57%	35.44%	53.93%	38.43%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	54.61%	46.89%

Schedule of Employer Contributions Plan PERS 1 For the Year Ended December 31, 2022	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	12,919	10,995	11,753	13,168	13,070	12,165	11,388	10,173
Contributions in relation to the contractually required contributions	12,919	10,995	11,753	13,168	13,070	12,165	11,388	10,173
Contributions deficiency (excess)	-	-	-	-	-	-	-	-
Covered employer payroll	344,816	258,131	245,667	266,294	258,120	248,244	234,328	227,303
Contributions as a percentage of covered employee payroll	3.75%	4.26%	4.78%	4.94%	5.06%	4.90%	4.86%	4.48%

Schedule of Employer Contributions Plan PERS 2/3 For the Year Ended December 31, 2022	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	21,930	18,325	19,457	20,558	19,359	17,033	14,810	13,003
Contributions in relation to the contractually required contributions	21,930	18,325	19,457	20,558	19,359	17,033	14,810	13,003
Contributions deficiency (excess)	-	-	-	-	-	-	-	-
Covered employer payroll	344,816	258,131	245,667	266,294	258,120	248,244	234,328	227,303
Contributions as a percentage of covered employee payroll	6.36%	7.10%	7.92%	7.72%	7.50%	6.86%	6.32%	5.72%

Schedule of Changes in OPEB Liability and Covered Payroll
As of June 30

	2022	2021	2020	2019
Service Cost	3,393	3,378	4,200	4,529
Interest	1,454	2,206	2,715	3,281
Changes in Experience Data and Assumptions	44,630	(37,862)	16,270	(14,596)
Changes in Benefit Terms	-	-	-	-
Benefit Payments	(439)	(124)	(78)	(88)
Other	-	-	-	-
Net Change in Total OPEB Liability	49,038	(32,402)	23,107	(6,874)
Total OPEB Liability - Beginning	64,117	96,519	73,412	80,286
Total OPEB Liability - Ending	113,155	64,117	96,519	73,412
Covered Employee Payroll	333,663	150,675	279,073	266,294
Total as a Percentage of Covered Payroll	33.91%	42.55%	34.59%	27.57%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1:
These schedules will be built prospectively until they contain ten years of data.

Note 2: Changes of Benefit Terms
There were no changes of benefit terms for the Pension Plans.

Note 3: Changes of Assumptions
There were no changes for the Pension Plans.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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