



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Marysville

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

Published November 22, 2023

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

November 22, 2023

Mayor and City Council
City of Marysville
Marysville, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Marysville January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
14.218	CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
14.218	COVID-19 CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants

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

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Marysville January 1, 2022 through December 31, 2022

2022-001 The City's internal controls over accrual and year-end entries required for preparing the financial statements were insufficient for ensuring accurate and complete financial reporting.

Background

State and federal agencies, the City Council, and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing, and maintaining internal controls to ensure the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). These controls should also provide reasonable assurance regarding the reliability of these statements.

Our audit found material deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding.

Description of Condition

The City did not have an effective year-end process to properly record outstanding checks in its financial statements. Specifically, the City included outstanding checks from the reported cash and cash equivalents, investments, and liabilities in the financial statements.

Additionally, the City did not have an effective process to report the proper receivable amount for taxes that were measurable and available but not yet collected as of year-end.

Cause of Condition

City employees thought they needed to include outstanding checks as cash and liabilities as an off-book entry to adjust the financial statements, but these transactions were already recorded in the accounting system.

Additionally, staff did not know that the collections in the State Treasury report for sales taxes in January and February of the next year represent amounts to be reported as taxes receivable for the current year.

Effect of Condition

Inaccurate financial reports limit access to information that City officials, the public, state and federal agencies, and other interested parties use. We identified the following misstatements due to the control weakness:

- Cash and cash equivalents and investments were overstated for several funds. The most significant were in the General Fund by \$1,396,012 and Wastewater Fund by \$1,146,814.
- Accounts payable and accrued expenses were overstated for several funds. The most significant were in the General Fund by \$1,396,012 and Wastewater Fund by \$1,146,814.
- Taxes receivable in the General Fund and Emergency Medical Service Fund were understated by \$2,740,420 and \$490,149, respectively.

The City corrected these errors, along with other less significant errors that we identified, in the final financial statements.

Recommendation

We recommend the City:

- Establish internal controls to monitor year-end bank reconciliations, including ensuring reconciling items affecting the financial statements are identified and correctly recorded
- Ensure employees responsible for preparing financial information have adequate training on GAAP accounting and the City's financial system to accurately present its financial statements

City's Response

The City appreciates the opportunity to continue working with the State Auditor's Office to improve our financial statement preparation and reporting. We concur with the Auditor's finding although this process has been audited every year and was not an issue previously.

The City encountered numerous staffing transitions during 2022 including the retirement of the Finance Director who served the City of Marysville for 20 years. Many of the Finance Staff today are new and existing employees have taken on new

roles within the department. Year-end procedures were handled using past practice as a guide.

As a result of this audit, the City will ensure that Staff receive appropriate training and guidance for the preparation of its financial statements and strengthen its internal controls over accounting and financial reporting.

The City understands its responsibility to accurately prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

We appreciate and thank the Washington State Audit staff for their support as the City continues to improve its financial reporting process.

Auditor's Remarks

We appreciate the City's commitment to resolving this issue. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, paragraph 27.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Marysville January 1, 2022 through December 31, 2022

2022-002 The City did not have adequate internal controls for ensuring compliance with federal reporting requirements.

Assistance Listing Number and Title:	14.218 – COVID-19 – Community Development Block Grant/Entitlement Grants 14.218 – Community Development Block Grants/Entitlement Grants
Federal Grantor Name:	U.S. Department of Housing and Urban Development (HUD)
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The primary objective of the Community Development Block Grants/Entitlement Grants (CDBG) program is to help provide decent and affordable housing, particularly for people with moderate, low and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent housing and providing suitable living environments and expanded economic opportunities for people with low incomes. In 2022, the City spent \$742,706 for its CDBG program. Of this amount, it passed \$590,880 through to subrecipients.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring with effectiveness of established controls.

The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients that make first-tier subawards of \$30,000 or more to report them

in the FFATA Subaward Reporting System (FSRS). The City has until the end of the month plus one additional month after obligating a subaward to fulfill this reporting requirement.

Description of Condition

We found the City's internal controls were ineffective for ensuring compliance with FFATA reporting requirements. Specifically, the City made two subawards in 2022 that exceeded \$30,000, and it did not prepare or submit any of the required FFATA reports for these subawards.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

City employees said they did not know about the FFATA reporting requirements for the program.

Effect of Condition

Failing to submit the required reports diminishes the federal government's ability to ensure accountability and transparency of federal spending. The table below summarizes the discrepancies we identified. The City has since submitted all FFATA reports applicable to the audit period.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
2	2	N/A	N/A	N/A
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$129,786	\$129,786	N/A	N/A	N/A

Recommendation

We recommend the City establish and follow internal controls over federal reporting requirements to ensure it prepares and submits FFATA reports for all applicable subawards, as federal regulations require.

City's Response

The City's CDBG Grant Manager has developed procedures to ensure all requirements in reporting Federal Funds, including FFATA are met by the City. This also includes review notification and requirements each year for any updates or changes to previously provided guidance.

Management will ensure all internal controls are followed including the timely remittance of all reports. Procedures will be developed to provide training to new staff members.

In addition, all delinquent reports are being completed by the CDBG Grant Manager and those will be filed no later than 12/31/2023.

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

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

Title 2 CFR Part 170, *Reporting Subaward and Executive Compensation Information*, establishes the Federal Funding Accountability and Transparency Act (FFATA) requirements of reporting the subaward information through the FFATA Subaward Reporting System (FSRS).

INDEPENDENT AUDITOR'S REPORT

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

City of Marysville January 1, 2022 through December 31, 2022

Mayor and City Council
City of Marysville
Marysville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, that we consider to be a material weakness.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 29, 2023

INDEPENDENT AUDITOR'S REPORT

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

City of Marysville
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Marysville
Marysville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Marysville, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002, that we consider to be a material weakness.

City's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 29, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Marysville January 1, 2022 through December 31, 2022

Mayor and City Council
City of Marysville
Marysville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City'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 respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 9 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 29, 2023

FINANCIAL SECTION

City of Marysville January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

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BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet – Governmental Funds – 2022

Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position
– 2022

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund – 2022

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS 2,
LEOFF 1, LEOFF 2 – 2022

Schedule of Employer Contribution – PERS 1, PERS 2/3, PSERS 2, LEOFF 2 – 2022

Schedule of Changes in the City's Total OPEB Liability and Related Ratios – LEOFF 1 -
2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marysville presents this discussion and analysis of its financial performance to provide an overview of the City's financial activities for fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the associated notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Marysville exceed its liabilities and deferred inflows at the close of December 31, 2022 by approximately \$ 487.7 million (net position) an increase of \$ 35.6 million or 7.88%. Of this amount, unrestricted net position totals \$ 72.3 million and may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position totals \$ 42.2 million and are subject to external restrictions on how it may be used.
- As of December 31, 2022, the City's governmental activities reported a combined net position of \$ 278.0 million, an increase of \$ 16.0 million from 2021. Approximately 7.9% of this amount (\$ 21.9 million) is available for spending at the City's discretion.
- The City's total long-term outstanding debt decreased by \$9.0 million during calendar year 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction the City of Marysville's basic financial statements. The basic statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred in regards to interfund activity, payable and receivables.

The Statement of Net Position presents financial information on all of the City of Marysville's assets, liabilities and deferred inflows/outflow resources, with the difference reported as net position. Evaluating increases or decreases over time can serve as a useful indicator of whether the financial position of the city is improving or declining.

The Statement of Activities present information on the net cost of each governmental and business-type function during the fiscal year. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting requiring the revenues to be reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

In the Statement of Activities, we separate the City activities as follows:

Governmental Activities – most of the City's basic services are reported in this category, including General Government, Municipal Court, Police, Fire, Engineering, Parks/Recreation, Community Development, Street Maintenance, and General Government Debt Service. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally finance these activities.

Business-Type Activities – The City's Waterworks Utility, Solid Waste, and Golf Course Funds are reported in this category. These types of activities are funded by the City charging a fee to customers to cover all or most of the cost of certain services it provides.

Fund Financial Statements

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are custodial funds, and are prepared using the economic resources measurement focus and full accrual. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and the purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements also include "other governmental funds" on the governmental funds, and "other enterprise funds" on the proprietary funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements.

Governmental Funds – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides to its citizens. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results shown in the Governmental fund financial statements and those shown in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Proprietary Funds – When the City charges customers for the service it provides, whether to outside City customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds include two components 1) enterprise funds and 2) internal service funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the governmental-wide statement, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities – such as fleet maintenance, facility maintenance, computer maintenance and insurance funds. Because these funds largely benefit government rather than business-type functions, they are reported with governmental activities in the government-wide financial statements.

Fiduciary Fund – The City is the trustee, or fiduciary for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These type of activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the Schedule of Proportionate Share of the Net Pension Liability, the Schedule Employer Contributions, and the funding progress for the Other Post-Employment Benefits. Also included as required supplementary information are the Schedules Revenues, Expenditures and Changes in Fund Balances – Budget and Actual the general fund and major special revenue funds.

Combining Statements

The combining statements for other governmental funds, internal service funds, and custodial funds are presented immediately following the required supplementary information.

Statistical Section

This section includes unaudited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Position**

Following is a condensed version of the government-wide statement of net position for 2022 compared to 2021:

Condensed Statement of Net Position (in thousands)						
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	73,074	92,860	60,874	59,605	133,948	152,466
Capital assets (net of accumulated depreciation)	293,538	277,966	178,883	167,535	472,421	445,501
TOTAL ASSETS	\$ 366,612	\$ 370,826	\$ 239,757	\$ 227,141	\$ 606,369	\$ 597,967
Deferred outflows	9,138	2,825	1,803	967	10,942	3,792
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 375,751	\$ 373,651	\$ 241,560	\$ 228,107	\$ 617,311	\$ 601,758
Current and other liabilities	13,239	12,886	9,275	8,316	22,514	21,202
Long-term liabilities	76,120	79,238	20,944	24,650	97,064	103,888
TOTAL LIABILITIES	\$ 89,359	\$ 92,124	\$ 30,219	\$ 32,966	\$ 119,578	\$ 125,090
Deferred inflows	8,352	19,443	1,650	5,118	10,002	24,561
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 97,711	\$ 111,567	\$ 31,868	\$ 38,085	\$ 129,579	\$ 149,652
Net Investment in capital assets	220,679	200,849	152,510	139,310	373,189	340,159
Restricted	35,477	26,791	6,771	6,456	42,248	33,246
Unrestricted	21,884	34,445	50,411	44,256	72,295	78,701
TOTAL NET POSITION	\$ 278,039	\$ 262,084	\$ 209,692	\$ 190,022	\$ 487,731	\$ 452,107

Governmental Activities

During the 2022 fiscal year, net position for governmental activities increased \$ 16.0 million or 6.1% from 2021. Key elements of the increase are as follows:

- Current and other assets decreased by \$ 19.8 million. The decrease is mainly the result of change in Net Pension Asset.
- Capital assets, net of accumulated depreciation increased by \$ 15.6 million dollars. There was an increase of \$ 68.0 million in land and other depreciable assets (net of depreciation) and a decrease in construction in progress of \$ 52.7 million. The City completed a large street construction project and the construction of a new civic campus.
- Deferred outflows saw an increase related primarily to pensions.
- Long-term liabilities decreased \$ 3.1 million a result of annual debt service payments, offset by adjustments to the net pension and OPEB liability.
- The \$ 11.0 million decrease in deferred inflows is related to pensions.

Business-Type Activities

Business-type activities of the City's utilities and golf course realized a \$ 19.7 million increase in net position. Key elements of the increase are as follows:

- Total assets and deferred outflows increased by \$ 13.5 million. The \$ 1.3 million increase in current and other assets, the result of projects in the Waterworks Utility fund, and an \$ 11.3 million increase in capital assets.
- Total liabilities and deferred inflows decreased \$ 6.2 million as a result of annual debt service, change in pensions, and accounts payable.

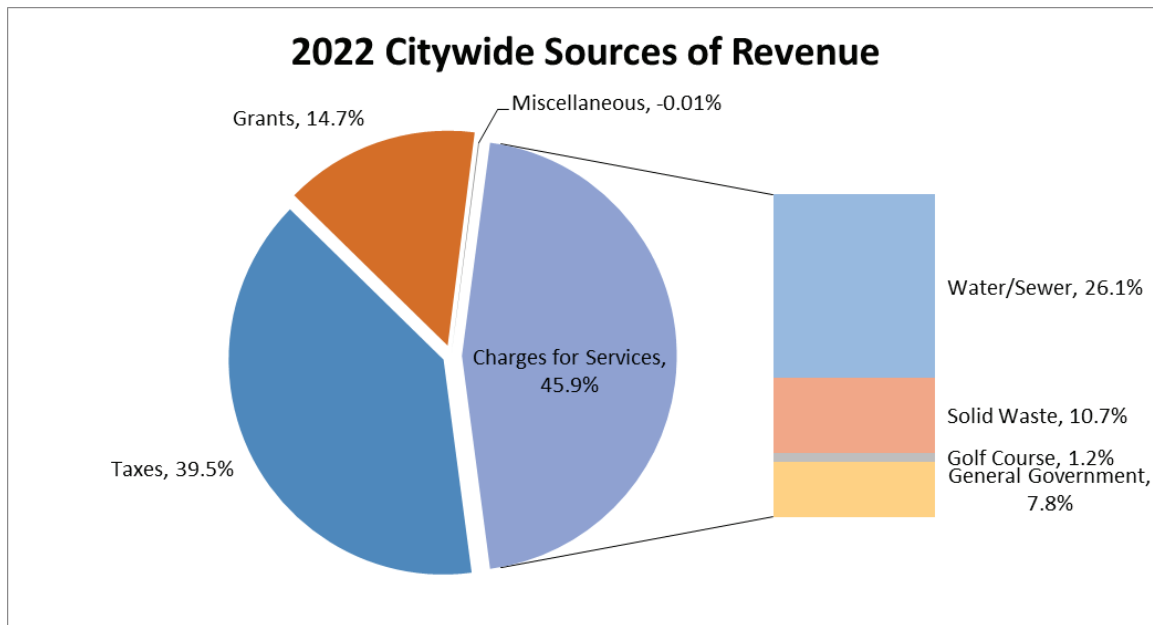
Changes in Net Position

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time. The Statement of Activities provides details on how net position changed from the beginning of the year to the end of the year and whether net position increased or decreased. Therefore the Statement of Activities provides information as to whether the City as a whole is better off financially by yearend as illustrated in the following table.

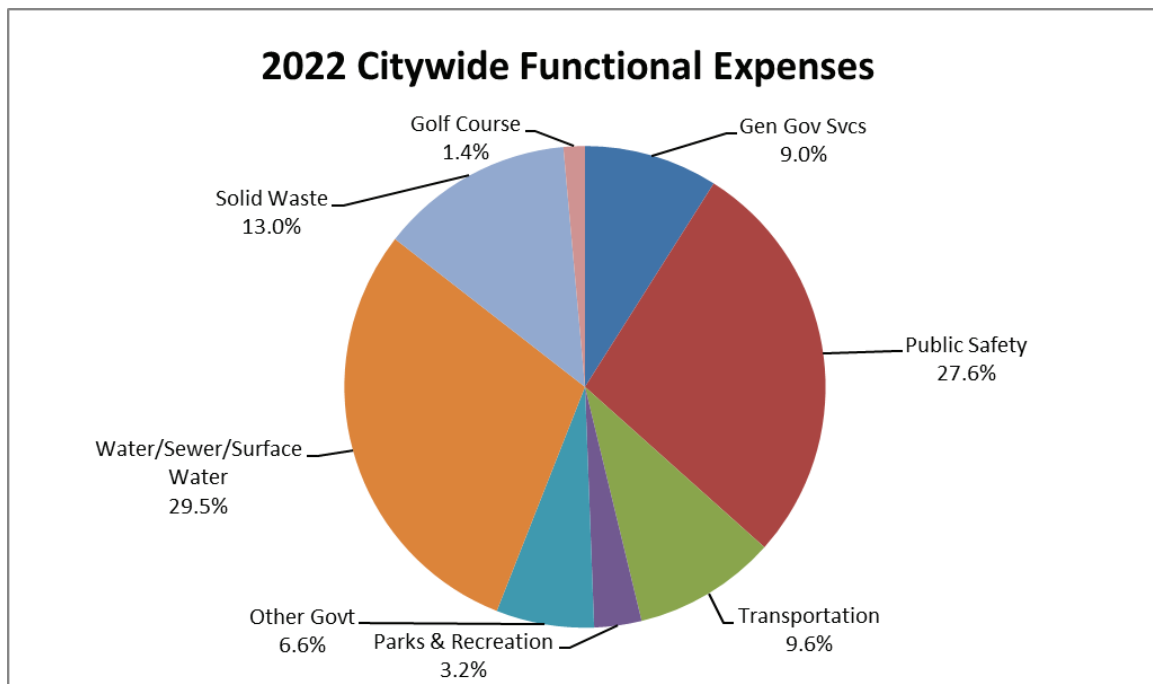
Changes in Net Position
For Year Ended December 31, 2022
(in thousands)

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenue:						
Charges for Services	\$ 10,816	\$ 14,327	\$ 52,595	\$ 50,237	\$ 63,411	\$ 64,564
Operating Grants and Contributions	2,806	12,767	5,142	1,185	7,947	13,951
Capital Grants and Contributions	1,961	4,032	10,407	3,116	12,368	7,148
General Revenues:						
Property Taxes	16,297	15,923			16,297	15,923
Sales Taxes	24,451	22,294			24,451	22,294
Other Taxes	13,990	13,983			13,990	13,983
Interest and Investment Earnings	(24)	180	(554)	(57)	(578)	122
Gain on sale of capital assets	-	2,969			-	2,969
Miscellaneous	741	41			740	41
Total Revenue	71,038	86,515	67,589	54,480	138,626	140,993
Program Expenses						
Governmental Activities						
Judicial	1,427	1,124	-	-	1,427	1,124
General Government	8,192	4,052	-	-	8,192	4,052
Public Safety	29,535	24,302	-	-	29,535	24,302
Physical Environment	476	338	-	-	476	338
Transportation	10,290	7,923	-	-	10,290	7,923
Economic Environment	3,689	4,068	-	-	3,689	4,068
Health	321	419	-	-	321	419
Culture & Recreation	3,402	2,936	-	-	3,402	2,936
Interest on Long-term Debt	2,553	2,643	-	-	2,553	2,643
Business-Type Activities						
Water/Sewer/Surface Water	-	-	31,601	31,466	31,601	31,466
Garbage & Solid Waste	-	-	13,960	8,848	13,960	8,848
Golf Course	-	-	1,537	1,309	1,537	1,309
Total Expenses	59,885	47,805	47,098	41,622	106,982	89,427
Increase in Net Position Before Transfers	11,153	38,710	20,491	12,857	31,644	51,567
Loss on Disposition of Assets	-	-	-	-	-	-
Special Items - Termination of Fire JOA	-	-	-	-	-	-
Transfers	822	1,678	(822)	(1,678)	-	-
Increase in Net Position	11,975	40,388	19,670	11,179	31,644	51,567
Net Position - Beginning of Year	262,084	221,881	190,022	179,192	452,107	401,073
Changes in Accounting Principles-GASB 75	-	-	-	-	-	-
Prior Period Adjustment	3,980	(185)	-	(349)	3,980	(534)
Net Position - End of Year	\$ 278,039	\$ 262,084	\$ 209,692	\$ 190,022	\$ 487,731	\$ 452,107

As shown in the chart below, charges for services made up 45.9% of the total revenue received by the city as a whole in 2022. Taxes made up 39.5% of the revenue sources. Of the 39.5%, 11.7% is from property taxes, 17.7% from sales taxes, and the remaining from business and other taxes.



The following chart compares the functional expenses of the City. Public Safety and the Water/Sewer Utility Fund make up almost two-thirds of the total City expenses.

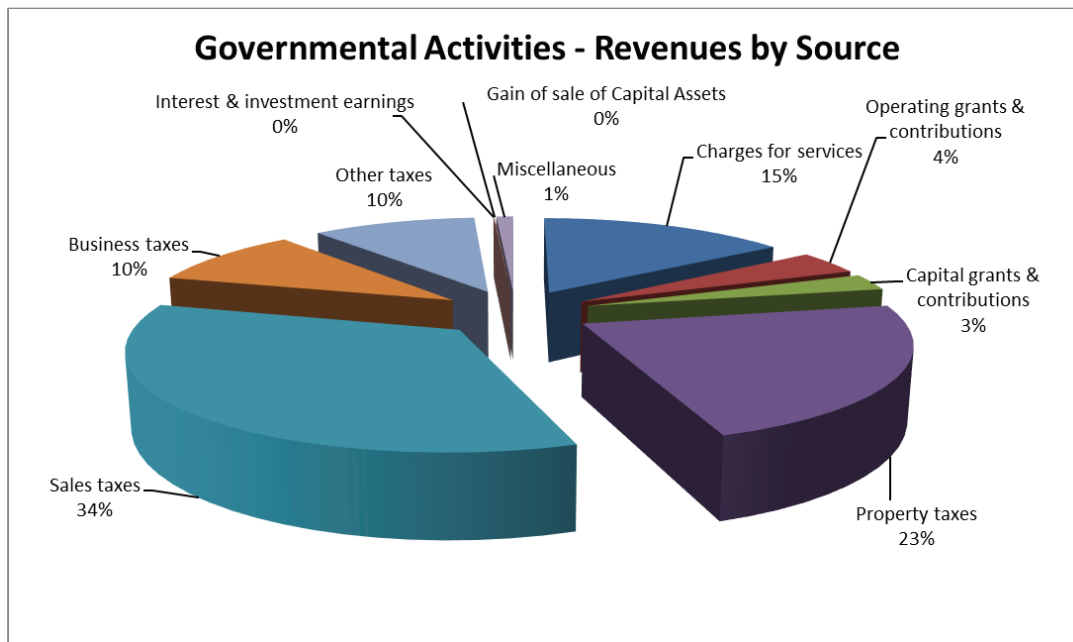


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, the total cost of all governmental activities in 2022 was \$ 59.9 million. Of this amount \$15.6 million was paid either by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) of \$44.3 million was the cost of governmental activity services paid primarily by city taxpayers.

Revenues

Total governmental activity revenue (excluding transfers) decreased by \$ 15.5 million or 17.8%. The decrease is primarily associated with grants and contributions. As the chart below depicts, the majority of governmental activity revenue, 77.3%, is from taxes. Combined taxes were up \$ 2.50 million, or 4.9% from 2021.



Sales tax increased by \$ 2.2 million or 9.7% from 2021 as a result of increased sales from online activity and vehicles. Property taxes increased \$ 0.4 million or 2.3% a result of increased assessed values and new construction.

Expenses

Total governmental activity expenses increased by \$ 12.1 million or 25.3%, compared to 2021. Highlights of the change in governmental activity expenses are:

- Increase of \$ 4.1 million in General Government is due to \$ 2.05 million in federal grant (CARES) expenses. Public Safety increased \$5.2 million as a result of staffing and new jail operations. The \$ 2.4 million increase in Transportation is a result of the widening of State Ave. nearing the second phase and overlays.

BUSINESS-TYPE ACTIVITIES ANALYSIS

Total expenses of business-type activities in 2022 were \$ 47.1 million. Program revenue covered \$ 68.1 million resulting in a net gain of \$ 21.0 million (excluding transfers).

Revenues

Total revenues (excluding transfers) were up \$ 13.1 million or 24.1% from the prior year. Charges for services increased by \$ 2.4 million from 2021 due to a garbage and solid waste annexation and increase in utility charges and recovery fees.

Capital grants and contributions consist of infrastructure constructed by the developer and then turned over to the City. Business-type capital contributions increased by \$ 7.3 million.

In 2022, interest earnings on investments decreased by \$ 0.5 million. The decrease is due to an increase in capital projects and change in fair market value.

Expenses

Total business-type saw an increase of \$ 5.5 million or 13.2% from 2021. This increase is a result of the garbage and solid waste annexation.

FUND-LEVEL FINANCIAL ANALYSIS

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

Governmental Fund

The focus of the City's governmental funds is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City's financing requirements in the near future. In particular, unassigned fund balance measures the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$ 43.9 million, a decrease of \$ 0.6 million from 2021. This decrease is a result of the American Rescue Plan Act (ARPA) federal grant.

Revenues for the governmental funds in 2022 were \$ 74.8 million, down \$ 7.0 million or 8.5% from 2021 and expenditures were \$ 81.3 million down \$ 8.8 million or 9.7%.

General Fund - The general fund is the main operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless legally required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2022, the fund balance of the General Fund was \$ 24.6 million, down \$ 4.2 million from 2021. As a measure of fund's liquidity, the ending fund balance is 48.3% of the fund's 2022 expenditures. As of December 31, 2022, total revenue was \$ 57.9 million, an increase of \$ 1.4 million or 2.4% and total expenditures were \$ 50.8 million. Of the \$ 24.6 million fund balance, the entire amount is unassigned and is available for discretionary spending. Even though the economy is starting to show signs of slowing down, and the City is stabilizing, the City remains committed to managing costs and balancing current year revenue and expenses to ensure the financial security of the City.

General Capital Improvements – The General Capital Improvements fund tracks the bond proceeds and expenditures associated with the construction of the new city campus and other general capital facilities. The fund reported a decrease of 100.0% of fund balance due to spend down of the LTGO Bond for the construction of the new city campus.

Local Improvement District 71 Fund (LID71) – The LID 71 Fund accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in September 2014. The fund fluctuates based off the assessments collected and the bonds called during the current year.

Other Governmental Funds – The City has seven other special revenue funds, two other debt service funds and two non-major construction fund.

Combined, the Other Governmental Funds reported total assets of \$ 23.8 million with a combined fund balance of \$ 19.4 million. Liabilities and deferred inflows increased due to the addition of the Street Capital Improvement fund to this category. The cash and cash equivalents increased by \$ 3.1 million. This increase is a result from the Growth Management Act Real Estate Excise Tax funds and the real estate market activity.

Revenue for the Other Government Funds in 2022 was very similar to 2021 at \$ 16.3 million, due primarily to a changes in Rents and Leases.

Expenditures for the Other Government Funds in 2022 were \$ 18.0 million, an increase of \$ 6.4 million due primarily to the addition of the Street Capital Improvement fund to this category.

Proprietary Funds

The City's proprietary fund statements are similar regarding the information found in the government-wide financial statements, but more detail is provided due to the assortment of activities. These funds include the Waterworks Utility and Solid Waste as the

major funds for the purpose of this report. As a result, all statements related to the enterprise funds are presented at the entity-wide level. The Cedarcrest Golf Course is the only enterprise fund that is not considered a major fund. The City does have Internal Service funds which are reported in the fund statements.

Waterworks Utility Fund – The Waterworks Utility Fund accounts for the operations, maintenance, and construction of activities related to the supplying of water, sewer, and storm drainage/surface water services to the community. The fund reported total assets and deferred outflow of \$ 229.0 million, total liabilities and deferred inflows of \$ 29.8 million, and net position of \$ 199.1 million, an increase of \$ 18.8 million from the prior year. Key elements for the change include:

- The annual 2% rate increase in utilities.
- Decrease in outstanding bonds, notes and loans payable.
- Increase in net pension asset.

Solid Waste Fund – The Solid Waste Fund accounts for the operations and maintenance of providing solid waste services to citizens within the city limits. The fund reported total assets and deferred outflows of \$ 10.3 million, total liabilities and deferred inflows of \$ 1.8 million and net position of \$ 8.5 million, an increase of 17% from the prior year.

Other Enterprise Funds – The City's other enterprise fund includes only one activity and that is the Cedarcrest Golf Course. The fund reported total assets and deferred outflows of \$ 2.6 million, total liabilities and deferred inflows of \$ 0.2 million, and net position of a \$ 2.3 million, an increase of \$ 0.2 million. The increase is due to an increase in rounds played.

General Fund Budgetary Highlights

The 2021/2022 biennial budget was adopted in October 2020 by the City Council. The operating and capital budgets retain current service levels of operations, maintaining the City's infrastructure and addresses community priorities.

Appropriation of operating funds are reviewed and amended as needed by the City Council. The 2021/2022 biennial budget was amended four times in 2021 and seven amendments in 2022. The final General Fund expenditure (not including transfers) budget was \$ 6.6 million higher from the original budget. The amendments were to account for the ARPA federal grant and several projects, including over \$ 3.0 million for Parks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including construction in progress, for its governmental and business-type activities as of December 31, 2022 amounts to \$ 472.1 million (net of accumulated depreciation) an increase of \$ 26.6 million from 2021.

Capital Assets at Year End, Net of Depreciation
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Land	\$ 37,678	\$ 36,717	\$ 10,600	\$ 10,600	\$ 48,278	\$ 47,317
Buildings	74,605	8,077	4,871	5,069	79,476	13,145
Infrastructure	138,318	137,230	-	-	138,318	137,230
Improvements other than buildings	9,662	9,414	149,338	145,510	159,001	154,924
Machinery and Equipment	8,561	9,408	1,861	1,912	10,422	11,320
Construction in Progress	24,463	77,120	12,147	4,444	36,610	81,565
	\$ 293,286	\$ 277,966	\$ 178,818	\$ 167,535	\$ 472,104	\$ 445,501

Key changes to major capital assets during 2022 included the following:

- Increase in Buildings due primarily to the completion of the Civic Center.
- Decrease in Construction In Progress associated with the construction of large street projects, utility improvements, and the new civic center.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$ 85.4 million, a decrease of \$ 6.7 million associated with the annual debt service payments. Of this amount, \$ 64.4 million is general obligation debt, \$ 21.0 million is revenue bonded debt and the City also has \$ 1.8 million is special assessment debt.

Long-Term Debt
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
General Obligation Debt	\$ 64,355	\$ 67,995	\$ -	\$ -	\$ 64,355	\$ 67,995
GO Bond premiums	6,620	6,990	-	-	6,620	6,990
Revenue Bonds	-	-	21,010	24,020	21,010	24,020
Revenue Bonds Issuance Premiums	-	-	1,668	1,946	1,668	1,946
800 Mhz Project	-	-	-	-	-	-
Public Work Trust Fund Loans	-	-	1,275	2,553	1,275	2,553
Special Assessment (w/government commit)	1,815	2,215	-	-	1,815	2,215
Total Long-Term Debt	\$ 72,790	\$ 77,200	\$ 23,953	\$ 28,519	\$ 96,742	\$ 105,719

On September 19, 2013, Moody's Investor Service assigned a rating of A1 to the City's limited tax general obligation and refunding bonds, 2013.

On July 28, 2016, Moody's Investors Service assigned a rating of Aa3 to the City's limited tax general obligation bonds and Local Improvement District (LID) bonds.

On February 15, 2017, Moody's Investors Service changed the City's limited tax general obligation bond rating from Aa3 to Aa2. Moody's rating for the City of Marysville are now as follow:

Limited Tax GO Bonds	Aa2 (previously Aa3)
Water/Sewer Revenue Bonds	A1 (previously A3)

S&P published an underlying rating of A+ for the 2005 Revenue Bonds at the time of issuance

On March 9, 2018, Moody's Investors Service confirmed the City's Aa2 rating.

On May 22, 2018, Moody's Investment Service assigned a rating of Aa2 to the City's limited tax general obligation bonds.

On September 27, 2018, Moody's Investors Service assigned a rating of Aa2 to the City's limited tax general obligation bonds.

On March 22, 2019, Moody's Investors Service confirmed the City's Aa2 rating.

On November 11, 2019, Moody's Investor Service confirmed the City's Aa2 rating.

On August 18, 2020, Moody's Investor Service assigned a rating of Aa2 to the City's limited tax general obligation bonds.

Standards & Poor's notified the city on April 15, 2021 of an upgrade in its rating of Water and Sewer Revenue Refunding Bonds-2014 from AA to AA+.

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's assessed valuation for 2022 was \$ 10.9 billion and the total amount of additional debt that the city may issue is \$ 753 million. Remaining debt capacity is categorized as follows (in thousands):

Debt Capacity Available	
Item	Capacity
General	\$ 208,281
Open Space/Park Facilities	272,557
Utilities	272,557
Total	<u>\$ 753,396</u>

Additional information on the City's long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Marysville Council voted not to increase the regular property tax levy by 1% allowed under initiative 747 in 2023. Assessed values (AV) for 2023 are estimated to increase by 26% from the 2022 assessed values. The levy rate for 2023 is \$1.259 per \$ 1,000 of assessed valuation, a decrease of 15.9% from the prior year of \$ 1.4966. The decrease is due to the rise in assessed value and the decision not to increase regular property tax levy by the allowed 1%.

Total General Fund revenues for 2023 are estimated to increase by \$ 3.28 million from 2022 before transfers and the total General Fund expenditures are estimated to increase by \$6.19 million from 2022 before transfers. This increase is due to projects, additional staffing, and increases in operating costs and the revenue increase is a result of commercial development regarding sales tax, business taxes, and permits. The City is continuing to review and prioritize the strategic investments necessary to lay the groundwork for a prosperous future.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Marysville Finance Director, 501 Delta Avenue, Marysville, Washington, 98270, (360) 363-8000.

Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	26,014,790	21,530,970	47,545,760
Investments	23,480,577	20,216,105	43,696,682
Receivables (net)	8,289,217	11,195,077	19,484,294
Lease receivables	49,178	59,072	108,250
Special assessment receivable	3,182,862	-	3,182,862
Internal balances	(978,575)	978,577	2
Inventories	309,436	125,676	435,112
Total Current Assets	60,347,485	54,105,477	114,452,962
<i>Noncurrent Assets</i>			
Restricted investments	-	5,249,246	5,249,246
Lease receivables	375,631	13,092	388,723
Investment in joint venture	1,147,787	-	1,147,787
<i>Capital Assets:</i>			
Land	37,677,608	10,600,464	48,278,072
Depreciable assets (net)	231,398,051	156,135,761	387,533,812
Construction in progress	24,462,722	12,146,867	36,609,589
Net pension asset	11,202,887	1,506,178	12,709,065
Total Noncurrent Assets	306,264,686	185,651,608	491,916,294
Total Assets	366,612,171	239,757,085	606,369,256
Deferred Outflows of Resources			
Debt refunding	184,495	252,086	436,581
Related to pensions	8,871,103	1,551,138	10,422,241
Related to OPEB	82,774	-	82,774
Total Deferred Outflows of Resources	9,138,372	1,803,224	10,941,596
Total Assets and Deferred Outflows	375,750,543	241,560,309	617,310,852
Liabilities			
<i>Current Liabilities</i>			
Accounts payable and accrued expenses	7,067,271	4,533,527	11,600,798
Unearned revenue	201,747	-	201,747
Other current liabilities	464,910	332,454	797,364
Current portion - bonds, notes and loans payable	4,143,162	4,196,676	8,339,838
Current portion - leases	42,896	11,418	54,314
Current portion - compensated absences	1,153,188	200,956	1,354,144
Current portion - total OPEB liability	165,547	-	165,547
Total Current Liabilities	13,238,721	9,275,031	22,513,752
<i>Non-Current Liabilities (see Note 11):</i>			
Bonds, notes and loans payable	68,646,481	19,756,139	88,402,620
Leases	211,159	54,377	265,536
Compensated absences	1,153,188	200,956	1,354,144
Net pension liability	2,814,872	932,273	3,747,145
Total OPEB liability	3,294,658	-	3,294,658
Total Noncurrent Liabilities	76,120,358	20,943,745	97,064,103
Total Liabilities	89,359,080	30,218,775	119,577,855
Deferred Inflows of Resources			
Related to leases	412,710	70,229	482,939
Related to pensions	7,939,378	1,579,297	9,518,675
Total Deferred Inflows of Resources	8,352,088	1,649,526	10,001,614
Total Liabilities and Deferred Inflows	97,711,168	31,868,301	129,579,469
Net Position			
Net investment in capital assets	220,679,178	152,509,879	373,189,057
Restricted for:			
Net pension assets	12,267,080	1,521,892	13,788,972
Debt service	3,595,324	5,249,246	8,844,570
Law enforcement	110,031	-	110,031
Opioid settlement	721,380	-	721,380
Tourism	276,842	-	276,842
Technology infrastructure	500,417	-	500,417
REET	10,171,827	-	10,171,827
Transportation Benefit District	7,807,214	-	7,807,214
Grants	26,481	-	26,481
Unrestricted	21,883,600	50,410,991	72,294,591
Total Net Position	278,039,375	209,692,008	487,731,383

The accompanying notes are an integral part of this statement

Statement of Activities
For the Year Ended December 31, 2022

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants & Contributions		Governmental Activities	Business-Type Activities	Total
			Operating	Capital			
Governmental Activities:							
Judicial	1,426,978	69,999	51,355	-	(1,305,624)	-	(1,305,624)
General Government	8,191,731	2,103,339	22,478	192,700	(5,873,215)	-	(5,873,215)
Public Safety	29,535,417	391,254	579,334	-	(28,564,830)	-	(28,564,830)
Physical Environment	476,412	-	-	-	(476,412)	-	(476,412)
Transportation	10,289,903	3,074,021	1,431,522	1,311,003	(4,473,357)	-	(4,473,357)
Economic Environment	3,689,414	4,187,886	696,432	-	1,194,904	-	1,194,904
Health	321,013	-	15,000	-	(306,013)	-	(306,013)
Culture & Recreation	3,401,517	989,977	9,716	457,675	(1,944,149)	-	(1,944,149)
Interest on long-term debt	2,552,977	-	-	-	(2,552,977)	-	(2,552,977)
Total Governmental Activities	59,885,363	10,816,476	2,805,836	1,961,377	(44,301,674)	-	(44,301,674)
Business-Type Activities:							
Water/Sewer/Surface Water	31,601,310	36,086,355	5,141,871	10,406,761	-	20,033,677	20,033,677
Solid Waste	13,960,100	14,810,879	-	-	-	850,779	850,779
Golf Course	1,536,711	1,697,298	-	-	-	160,587	160,587
Total Business-Type Activities	47,098,121	52,594,532	5,141,871	10,406,761	-	21,045,043	21,045,043
Total Government	106,983,484	63,411,008	7,947,707	12,368,138	(44,301,674)	21,045,043	(23,256,631)
General Revenues							
			Property taxes		16,296,698	-	16,296,698
			Sales taxes		24,451,472	-	24,451,472
			Utility taxes		6,868,797	-	6,868,797
			Excise taxes		5,694,688	-	5,694,688
			Other taxes		1,426,666	-	1,426,666
			Investment earnings (losses)		(23,933)	(553,692)	(577,625)
			Miscellaneous		740,856	-	740,856
Transfers					821,776	(821,776)	-
Total General Revenues and Transfers					56,277,021	(1,375,468)	54,901,553
Change in Net Position					11,975,347	19,669,575	31,644,922
Net Position - Beginning					262,084,164	190,022,433	452,106,597
Prior Period Adjustments					3,979,864	-	3,979,864
Net Position - Ending					278,039,375	209,692,008	487,731,383

The accompanying notes are an integral part of this statement

Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	General Capital Improvements	Local Improvement District 71	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	11,907,445	70,937	26,007	11,405,769	23,410,158
Investments	10,414,042	-	29,494	10,937,197	21,380,733
Receivables (net)	6,663,834	56,986	139,839	1,428,558	8,289,217
Due from other funds	285,578	-	-	-	285,578
Lease Receivables	370,552	-	-	54,257	424,809
Special Assessment Receivable	-	-	3,182,862	-	3,182,862
Total Assets	29,641,451	127,923	3,378,202	23,825,781	56,973,357
Liabilities					
Accounts payable and accrued expenses	2,231,977	102,373	1,034	2,479,195	4,814,579
Due to other funds	-	-	-	1,516,812	1,516,812
Unearned revenue	61,908	-	139,839	-	201,747
Deposits payable	85,654	-	-	82,955	168,609
Total Liabilities	2,379,539	102,373	140,873	4,078,962	6,701,747
Deferred Inflows of Resources					
Property taxes	178,458	-	-	-	178,458
Special assessments	-	-	3,182,862	-	3,182,862
Grants	-	52,148	-	336,934	389,082
Other unavailable revenue	1,833,176	-	-	-	1,833,176
Leases	359,338	-	-	53,372	412,710
Court receivables	328,925	-	-	-	328,925
Total Deferred Inflows of Resources	2,699,897	52,148	3,182,862	390,306	6,325,213
Fund Balances					
<i>Restricted for:</i>					
Law Enforcement	-	-	-	110,031	110,031
Opioid Settlement	63,204	-	-	-	63,204
Tourism	-	-	-	276,842	276,842
Technology Infrastructure	-	-	-	500,417	500,417
REET	-	-	-	10,171,827	10,171,827
Transportation Benefit District	-	-	-	7,807,214	7,807,214
Debt Service	-	-	54,467	654,296	708,763
Grants	-	-	-	26,481	26,481
<i>Committed to:</i>					
Law Enforcement	-	-	-	7,121	7,121
<i>Assigned to:</i>					
Street Construction & Maintenance	-	-	-	1,353,082	1,353,082
Debt Service	-	-	-	78,496	78,496
<i>Unassigned</i>	24,498,811	(26,598)	-	(1,629,294)	22,842,919
Total Fund Balances	24,562,015	(26,598)	54,467	19,356,513	43,946,397
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	29,641,451	127,923	3,378,202	23,825,781	56,973,357

The accompanying notes are an integral part of this statement

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022**

Total Governmental Fund Balances	43,946,397
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**Amounts reported for governmental activities in the
statement of net position are different because:**

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

Land	37,677,608	
Depreciable assets (including infrastructure)	266,760,129	
Construction in progress	24,462,722	
Less accumulated depreciation	(43,653,778)	285,246,681

The investment in joint ventures (Sno911) is not reported at the fund financial reporting level but is reported on the government-wide statement of net position.	1,147,787
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds - property taxes, special assessments, grants and fines.	5,912,503
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Deferred inflows and outflows for pensions reported on the government-wide statement of position but not reported on the governmental fund balance sheet.	942,094
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Deferred outflows for OPEB reported on the government-wide statement of net position but not reported on the government balance sheet.	82,774
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The net pension assets are not available to retire current year expenditures, therefore they are not reported in the funds but are reported in the government-wide statement of net position.	10,648,294
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The internal service fund is used by management to charge the costs of the equipment rental to individual funds. The assets and liabilities of the internal service funds are included in governmental activities column on the government-wide statement of net position.	11,122,021
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The internal service fund chargeback to enterprise funds is not reported in the governmental funds, but is reported on the government-wide financial statements.	252,657
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Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position (excludes internal service funds).

General obligation/special assessment bonds payable	(72,789,643)	
Leases payable	(254,055)	
Deferred outflows - bond related	184,495	
Accrued interest payable	(296,301)	
Other postemployment benefits payable	(3,460,205)	
Net pension liability payable	(2,471,598)	
Compensated absences payable	(2,174,526)	(81,261,833)

Net Position Of Governmental Activities	278,039,375
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The accompanying notes are an integral part of this statement

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	General Capital Improvements	Local Improvement District 71	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	43,741,928	-	-	9,656,862	53,398,790
Licenses and permits	2,959,548	-	-	-	2,959,548
Intergovernmental	6,431,353	105,606	-	3,334,818	9,871,777
Charges for services	4,436,978	-	-	2,831,160	7,268,138
Fines and forfeitures	316,590	-	-	8,131	324,721
Investment earnings	(492,152)	-	1,437	271,269	(219,446)
Rent and leases	231,263	-	-	26,686	257,949
Special assessments	-	-	408,295	-	408,295
Miscellaneous	257,773	35,411	982	198,195	492,361
Total Revenues	57,883,281	141,017	410,714	16,327,121	74,762,133
Expenditures					
Current:					
Judicial	1,564,663	-	-	-	1,564,663
General government	5,830,815	-	-	89,918	5,920,733
Public safety	29,020,324	-	-	-	29,020,324
Physical environment	615,703	-	-	-	615,703
Transportation	6,107,555	-	-	1,621,000	7,728,555
Health & human services	321,013	-	-	-	321,013
Economic environment	2,525,746	-	-	1,411,117	3,936,863
Culture & recreation	3,243,140	-	-	-	3,243,140
Capital Outlay:					
General government	1,521,899	12,021,294	-	-	13,543,193
Public safety	19,379	-	-	-	19,379
Transportation	-	-	-	5,519,707	5,519,707
Economic environment	-	-	-	6,968	6,968
Culture & recreation	-	-	-	2,909,011	2,909,011
Debt Service:					
Principal	42,281	-	400,000	3,640,000	4,082,281
Interest and fiscal charges	3,820	-	92,523	2,774,755	2,871,098
Other	-	-	4,302	-	4,302
Total Expenditures	50,816,338	12,021,294	496,825	17,972,476	81,306,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,066,943	(11,880,277)	(86,111)	(1,645,355)	(6,544,800)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	1,175,000	-	-	-	1,175,000
Insurance recoveries	17,434	-	-	-	17,434
Leases (lessee)	80,554	-	-	-	80,554
Transfers in	2,528,787	11,910,520	-	11,257,615	25,696,922
Transfers out	(18,169,618)	-	-	(6,705,528)	(24,875,146)
Total Other Financing Sources (Uses)	(14,367,843)	11,910,520	-	4,552,087	2,094,764
Net Change in Fund Balances	(7,300,900)	30,243	(86,111)	2,906,732	(4,450,036)
Fund Balances Beginning of Year	28,731,027	(56,841)	140,578	15,730,982	44,545,746
Prior Period Adjustment	3,131,888	-	-	718,799	3,850,687
Fund Balances End of Year	24,562,015	(26,598)	54,467	19,356,513	43,946,397

The accompanying notes are an integral part of this statement

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022**

Net Changes In Fund Balances - Total Governmental Funds	(4,450,036)
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**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Depreciation expense	(3,075,682)	
Capital outlay	19,340,869	
Capital contributions	-	16,265,187

The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.	(51,808)
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Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes, special assessments, grants and court receivables:		
Deferred as of 12/31/22	5,912,503	
Deferred as of 12/31/21	(11,164,800)	(5,252,297)

Governmental funds do not report the change in the investment in the joint venture, but the change is reported on the government-wide statement of activity.	(608,205)
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Elimination of transfers between governmental funds:

Transfers in	(24,875,146)	
Transfers out	24,875,146	-

Internal service funds are used by management to charge the cost equipment, maintenance of facilities, computer costs and insurance to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.	(576,159)
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The internal service fund chargeback to enterprise funds is not reported in the governmental funds, but is reported on the government-wide financial statements.	523,782
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.	4,082,281
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Amortization of bond-related items is reported in the government-wide statement of activities, but does not require the use of current financial resources and therefore is not reported in the governmental funds.	342,711
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Issuance of debt, including leases, is reported as an other financing source in the governmental funds, but is reported as a liability on the government-wide financial statements.	(80,554)
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Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	553,881
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Pension expenses and related intergovernmental revenues (LEOFF 2 special funding) are reported in the statement of activities, but do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.	1,365,376
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A one-month portion of interest on long-term debt is accrued in the governmental-activities but not on the governmental funds statement of revenues expenditures and changes and fund balance.	(20,288)
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Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability as of 12/31/22	(2,174,526)	
Liability as of 12/31/21	2,056,002	(118,524)

Change In Net Position of Governmental Activities	11,975,347
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The accompanying notes are an integral part of this statement

Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Waterworks Utility	Solid Waste	Nonmajor Enterprise Golf	Total Enterprise Funds	
Assets					
Current Assets:					
Cash and cash equivalents	18,051,923	3,060,239	418,808	21,530,970	2,604,632
Investments	17,335,291	2,488,420	392,394	20,216,105	2,099,844
Receivables (net)	8,335,934	2,859,143	-	11,195,077	-
Lease receivables	5,940	-	53,132	59,072	-
Interfund loan receivable	-	1,231,234	-	1,231,234	-
Inventories	59,274	-	66,402	125,676	309,436
Total Current Assets	43,788,362	9,639,036	930,736	54,358,134	5,013,912
Noncurrent Assets:					
Investments - Restricted	5,249,246	-	-	5,249,246	-
Lease receivables	13,092	-	-	13,092	-
Capital assets:					
Land	9,782,452	-	818,012	10,600,464	-
Depreciable assets (net)	155,300,446	14,995	820,320	156,135,761	8,291,702
Construction in progress	12,146,867	-	-	12,146,867	-
Net pension asset	1,193,176	313,002	-	1,506,178	554,593
Total Noncurrent Assets	183,685,279	327,997	1,638,332	185,651,608	8,846,295
TOTAL ASSETS	227,473,641	9,967,033	2,569,068	240,009,742	13,860,207
Deferred Outflows of Resources					
Debt refunding	252,086	-	-	252,086	-
Related to pensions	1,228,793	322,345	-	1,551,138	571,147
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,480,879	322,345	-	1,803,224	571,147
TOTAL ASSETS AND DEFERRED OUTFLOWS	228,954,520	10,289,378	2,569,068	241,812,966	14,431,354
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	3,237,912	1,207,239	88,376	4,533,527	2,252,692
Accrued interest payable	172,412	-	-	172,412	-
Compensated absences payable	178,371	22,585	-	200,956	65,926
Bonds, notes, loans payable	4,196,676	-	-	4,196,676	-
Leases	11,418	-	-	11,418	-
Deposits payable	26,600	-	3,500	30,100	-
Other current liabilities	25,662	-	104,280	129,942	-
Total Current Liabilities	7,849,051	1,229,824	196,156	9,275,031	2,318,618
Noncurrent Liabilities					
Bonds, notes, loans payable	19,756,139	-	-	19,756,139	-
Leases	54,377	-	-	54,377	-
Net pension liability	738,535	193,738	-	932,273	343,274
Compensated absences	178,371	22,585	-	200,956	65,926
Total Noncurrent Liabilities	20,727,422	216,323	-	20,943,745	409,200
TOTAL LIABILITIES	28,576,472	1,446,147	196,156	30,218,775	2,727,817
Deferred Inflows of Resources					
Related to leases	18,452	-	51,777	70,229	-
Related to pensions	1,251,100	328,197	-	1,579,297	581,516
TOTAL DEFERRED INFLOWS OF RESOURCES	1,269,552	328,197	51,777	1,649,526	581,516
TOTAL LIABILITIES AND DEFERRED INFLOWS	29,846,024	1,774,344	247,933	31,868,301	3,309,333
Net Position					
Net investment in capital assets	150,856,552	14,995	1,638,332	152,509,879	8,291,702
Restricted for net pension assets	1,205,624	316,268	-	1,521,892	560,379
Restricted for debt service	5,249,246	-	-	5,249,246	-
Unrestricted	41,797,074	8,183,771	682,803	50,663,648	2,269,940
TOTAL NET POSITION	199,108,496	8,515,034	2,321,135	209,944,665	11,122,021
The net effect of activities allocated from internal service funds is presented as an internal balance on the statement of net position				(252,657)	
Adjusted Total Net Position				209,692,008	

The accompanying notes are an integral part of this statement

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Waterworks Utility	Solid Waste	Nonmajor Enterprise Golf	Total Enterprise Funds	
Operating Revenues					
<i>Charges for services:</i>					
Water/Sewer/Surface Water	31,757,378	-	-	31,757,378	-
Golf	-	-	1,634,604	1,634,604	-
Garbage & Solid Waste	-	14,795,673	-	14,795,673	-
Other Services	-	-	-	-	12,143,488
Total Operating Revenues	31,757,378	14,795,673	1,634,604	48,187,655	12,143,488
Operating Expenses					
Maintenance and operations	19,771,249	12,095,231	1,474,459	33,340,939	11,367,101
Taxes	3,370,502	1,563,088	18,108	4,951,698	-
Depreciation	7,588,029	1,112	34,584	7,623,725	1,324,185
Total Operating Expenses	30,729,780	13,659,431	1,527,151	45,916,362	12,691,286
Operating Income (loss)	1,027,598	1,136,242	107,453	2,271,293	(547,798)
Non-Operating Revenues (Expenses)					
Investment earnings	(630,452)	64,880	11,880	(553,692)	38,932
Connection and capital surcharges	4,049,949	-	-	4,049,949	-
Miscellaneous nonoperating revenue	279,028	15,206	62,694	356,928	-
Interest expense	(577,513)	-	-	(577,513)	-
Non-operating grants	5,141,871	-	-	5,141,871	31,140
Insurance recoveries	-	-	-	-	(98,433)
Non capitalized repairs and improvements	(80,464)	-	-	(80,464)	-
Total Non-Operating Revenues (Expenses)	8,182,419	80,086	74,574	8,337,079	(28,361)
Income (Loss) Before Contributions and Transfers	9,210,017	1,216,328	182,027	10,608,372	(576,159)
Capital contributions	10,406,761	-	-	10,406,761	-
Transfers Out	<u>(821,776)</u>	<u>-</u>	<u>-</u>	<u>(821,776)</u>	<u>-</u>
Change in Net Position	18,795,002	1,216,328	182,027	20,193,357	(576,159)
Net Position Beginning of Year	180,313,494	7,298,706	2,139,108	189,751,308	11,698,180
Net Position End of Year	<u>199,108,496</u>	<u>8,515,034</u>	<u>2,321,135</u>	<u>209,944,665</u>	<u>11,122,021</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(523,782)	
Adjusted Change in Net Position				<u>19,669,575</u>	

The accompanying notes are an integral part of this statement

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Waterworks Utility	Solid Waste	Nonmajor Enterprise Golf	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash received from customers	34,202,983	13,687,426	1,637,248	49,527,657	-
Cash received from interfund charges	-	-	-	-	12,143,488
Cash received from other sources	-	-	61,339	61,339	-
Cash payments to suppliers for goods and services	(12,344,530)	(10,013,384)	(1,462,253)	(23,820,167)	(9,211,282)
Cash payments to employees for services	(7,109,794)	(1,698,828)	-	(8,808,622)	(2,394,411)
Cash paid for taxes	(3,370,351)	(1,563,088)	(18,108)	(4,951,547)	-
Net Cash Provided by (Used in) Operating Activities	11,378,308	412,126	218,226	12,008,660	537,795
Cash Flows from Non-Capital financing activities					
Proceeds from federal, state and local grants	325,775	-	-	325,775	31,140
Interfund loan payments	-	43,523	-	43,523	-
Insurance recoveries	-	-	-	-	(98,433)
Transfer out to other funds	(821,776)	-	-	(821,776)	-
Net Cash Flows from non-Capital and related financing activities	(496,001)	43,523	-	(452,478)	(67,293)
Cash Flows from Capital and Related Financing Activities					
Acquisition/construction - capital	(8,512,842)	(16,107)	-	(8,528,949)	(467,520)
Payments on debt principal	(4,295,078)	-	-	(4,295,078)	-
Payments on debt interest	(854,242)	-	-	(854,242)	-
Proceeds from federal, state and local grants	4,816,096	-	-	4,816,096	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(8,846,066)	(16,107)	-	(8,862,173)	(467,520)
Cash Flows from Investing Activities					
Purchase of investments	(2,768,132)	(391,567)	(144,560)	(3,304,259)	(484,153)
Proceeds from sale of investment securities	-	-	-	-	112,114
Interest on investments	186,047	64,880	11,880	262,807	38,932
Net Cash Provided by (Used in) Investing Activities	(2,582,085)	(326,687)	(132,680)	(3,041,452)	(333,107)
Net Increase (Decrease) in Cash and Cash Equivalents	(545,844)	112,855	85,546	(347,443)	(330,125)
Cash and Cash Equivalents Beginning of Year	18,597,767	2,947,384	333,262	21,878,413	2,934,757
Cash and Cash Equivalents End of Year	18,051,923	3,060,239	418,808	21,530,970	2,604,632

The accompanying notes are an integral part of this statement

Page 1 of 2

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Waterworks Utility	Solid Waste	Nonmajor Enterprise Golf	Total Enterprise Funds	
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	1,027,598	1,136,242	107,453	2,271,293	(547,798)
Adjustments:					
Depreciation	7,588,029	1,112	34,584	7,623,725	1,324,185
Other nonoperating receipts	4,328,977	15,206	61,339	4,405,522	-
Other nonoperating payments	(80,464)	-	-	(80,464)	-
Changes in assets and liabilities					
(Increase)/Decrease in inventories	7,034	-	(12,146)	(5,112)	(15,327)
(Increase)/Decrease in receivables	(1,886,292)	(1,123,453)	-	(3,009,745)	-
(Increase)/Decrease in lease receivables and DI	(580)	-	-	(580)	-
Increase/(Decrease) in net pension liability, DO, DI	(473,301)	(120,154)	-	(593,455)	(212,474)
Increase/(Decrease) in accounts payable	865,039	496,638	24,352	1,386,029	(10,791)
Increase/(Decrease) other current liabilities	2,268	6,535	2,644	11,447	-
Net Cash Provided by (Used in) Operating Activities	11,378,308	412,126	218,226	12,008,660	537,795
Schedule of Non-Cash Capital and Related Financing Activities					
Capital assets contributed by private developers	10,406,761	-	-	10,406,761	-
Capital assets acquired through lease financing	(72,249)	-	-	(72,249)	-
Increase (decrease) in fair value of investments	(816,499)	-	-	(816,499)	-
Total Non-Cash Activities	9,518,013	-	-	9,518,013	-

The accompanying notes are an integral part of this statement

Page 2 of 2

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Custodial Funds
Assets	
Cash and cash equivalents	59,496
Total Assets	59,496
Liabilities	
Accounts payable	2,348
Total Liabilities	2,348
Total Net Position - Restricted for Other Governments	57,148

The accompanying notes are an integral part of this statement

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds
Additions:	
Drug seizures	44,430
State court fees collected	297,625
Leasehold taxes	5,528
Weapons permitting	15,576
Building advisory	7,112
Fingerprinting fees collected for other agencies	3,458
Other fees collected for other agencies	750
Total Additions	374,479
Deductions:	
Drug seizures	15,734
State court fees remitted	330,503
Leasehold taxes	7,152
Weapons permitting	15,690
Building advisory	7,963
Fingerprinting fees collected for other agencies	4,027
Other fees collected for other agencies	750
Total Deductions	381,819
Net increase (decrease) in fiduciary net position	(7,340)
Net Position Beginning of Year	64,488
Net Position End of Year	57,148

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Marysville was incorporated on March 20, 1891 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The accounting and reporting policies of the city conform to generally accepted accounting principles (GAAP) of local governments.

The city is a general-purpose government and provides public safety, road improvement, parks and recreation, judicial administration and general governmental services. In addition, the city owns and operates a water/sewer/surface water utility, a golf course and provides garbage collection and recycling services. The accompanying statements include all funds, agencies and boards controlled by or dependent on the city. The financial statements include as well the assets and liabilities of all funds for which the city has a custodial or trust responsibility. The financial statements do not include the financial position or results of operations of the Marysville School District, which is a separate municipal corporation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. The fiduciary funds presented are custodial funds, use the accrual basis of accounting and use the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under modified accrual basis of accounting, property taxes, sales taxes, utility taxes and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grant

revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the city.

The city reports the following major government funds:

- The General Fund is the city's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes police, parks, culture and recreation, parks maintenance, community development, courts, executive, finance, human resources, and legal.
- The General Capital Improvement fund accounts for the construction of the new city campus.
- The Local Improvement District (LID) #71 accounts for assessments related to the LID and provides payment to the fiscal agent for principal and interest on bonds issued in September 2014.

The city reports the following major enterprise funds:

- The Waterworks Utility operating fund accounts for the distribution and filtration of water, the collection and treatment of wastewater, as well as the collection and treatment of sewage, and the design and construction of all water/sewer/surface water capital projects. Also included in the waterworks utility fund are all debt service payments.
- The Solid Waste fund accounts for the collection of commercial and residential solid waste as well as curb side recycling program.

Additionally, the government reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulations.
- Debt service funds account for the accumulation of resources and the payment of general long-term debt principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.
- Capital project funds account for the design and construction of city infrastructure and city parks and recreational facilities and other governmental facilities.
- Internal service funds account for the city's fleet management, facility services, information services, unemployment insurance and liability insurance provided to other departments on a cost reimbursement basis.
- Custodial funds account for the funds received for drug seizure, weapon permits and other county mitigation fees.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The city has allocated certain indirect costs that are included in the program expense reported for individual functions and activities.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The proprietary statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city are the Waterworks Utility Fund, Solid Waste Fund, Golf Fund, and the internal service fund charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available to use, it is the City of Marysville's policy to use restricted resources first, and then unrestricted resources as needed.

D. Budgetary Information**Scope of Budget**

In accordance with the Revised Code of Washington (RCW) 35A.34, the City budgets for all operating funds. These budgets are prepared in accordance with generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for budgeted governmental funds only.

The budget, as adopted, constitutes the legal authority for expenditures. Appropriations are authorized for two years, but must be reviewed by the City Council at the midpoint of the biennial period. The appropriated budgets are adopted at the fund level where expenditures may not exceed appropriations. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

Amending the Budget

The City Administrative Officer is authorized to transfer appropriations between programs within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. When City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

As of December 31, 2022, the following funds reported deficits in fund balance or net position:

Fund 314 – General Capital Improvements has a deficit fund balance of \$26,598 due to retainage held and payable at a future date.

Fund 305 – Street Capital Improvements has a deficit fund balance of \$205,077 due to grant revenues earned but not received within the period of availability.

Fund 115 – Affordable Housing Tax has a deficit fund balance of \$266,337 from an interfund loan that was used to purchase a building that will be used as a MESH house for people in transition.

Fund 310 – Parks Construction has a deficit fund balance of \$1,164,113 due to an interfund loan used to purchase the historical Opera House.

E. Assets, Liabilities, Fund Balances and Net Position**Cash and Cash Equivalents**

The City of Marysville invests all short-term cash surpluses. Monies from all City funds are internally pooled for investment purposes. The interest earned from the pooled investments is prorated to individual funds at the end of each month based on the cash balance in each fund at the end of the month. The City considers all highly-liquid assets, including investment in the Washington State's Local Government Investment Pool, and short-term investments with a maturity of three months or less when purchased, to be cash equivalents.

Investments (see note 2 – Deposits and Investments)

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

Receivables (see note 11 – Receivables)

The City of Marysville recognizes receivables in its various funds based on the account basis required for that fund. These receivables include the following:

1. Property Taxes (see note 3 – Property Taxes) - Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the county is required by state statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded.
2. Sales Tax - There is a running two-month lag in remittance of sales tax to the city. Sales taxes collected in November and December are not remitted by the state to the city until January and February of the following year and are reported as receivables at year-end.

There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

3. Other Taxes - Electric, telephone, natural gas taxes remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.
4. Interest Receivable - Interest receivable consists of amounts earned, but not received, on investments.
5. Accounts Receivable - Customer accounts receivable consist of amounts owed by private individuals or organization for goods and services provided. Unbilled services provided to utility customers are estimated at year-end and included in accounts receivable.

Amounts Due to and from Other Funds; Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Separate schedules of interfund loans, amounts due to and from other funds and advances are furnished in Note 13 – Interfund Transactions and Balances.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Special Assessments

Special assessments are amounts levied against benefited properties to recover costs associated with the construction of local improvement district (LID) projects. A lien is recorded against benefited properties until the assessment has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, unpaid delinquent assessments, and special assessment amounts due in future years, which are recorded in a deferred inflow of resources account. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made. Total assessment principal billed in 2022 was \$196,761 and total principal collected was \$251,975. As of December 31, 2022, \$3,091 of special assessments receivable were delinquent.

Inventories

Inventories in proprietary funds use a perpetual inventory method in which an expense is recorded when related items are consumed. Physical inventories are taken at year-end and the value of items remaining in inventory is calculated for financial reporting purposes. Inventories in proprietary funds are valued by the FIFO method, which approximates the market value. Inventories associated with Golf Course are held for resale. All other inventories are held for internal use only.

Restricted Assets and Liabilities

Constraints imposed by debt covenants and laws and regulations of other governments require that the City maintain cash accounts, investments and receivables for certain purposes. These accounts contain resources to ensure compliance with the revenue debt bond covenants. Specific debt service reserve requirements are described in note 8 – Long-Term Debt. The restricted assets of the enterprise funds is composed of \$5,249,246 of investments for debt service.

Capital Assets (see note 4 – Capital Assets and Depreciation)

The City began prospective reporting of general infrastructure assets in January 1, 2005 and incorporated the retrospective values in 2007.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Infrastructure assets are capitalized when cost equals or exceeds \$300,000. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets purchased, constructed, or leased by a governmental fund type are recorded as expenditures in that fund at the time the related expenditures are incurred. The associated capital assets are capitalized in the Governmental Activities column on the Government Wide Statement of Net Position. Capital assets of internal service funds are reported with governmental assets.

Costs of normal maintenance and repair for general capital assets are not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.

All project costs are included in construction in progress in the government-wide statement of net position. At completion, capital costs are reclassified to the appropriate capital asset account. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

ESTIMATED SERVICE LIFE	
Buildings & Structures	25-50 Years
Infrastructure	13-100 Years
Improvement Other Than Buildings	5-50 Years
Machinery & Equipment	2-20 Years

Leases (see note 9 – Leases)

Lessee

The City is a lessee for noncancelable leases. The City recognizes lease liabilities and intangible right-to-use lease assets in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City 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.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided the City 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 City is reasonably certain to exercise.

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

Lessor

The City is a lessor for noncancelable leases. The City recognizes lease receivables and related deferred inflows of resources in the government-wide and fund financial statements.

At the commencement of a lease the City 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 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 City determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

- The City 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.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Pensions (see note 5 – Pension Plans)

For purpose 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 net pension asset, the City includes the net pension asset and the related deferred outflows and deferred inflows.

Other Post-Employment Benefits (OPEB) Plans (see note 6– Defined Benefit Other Post-Employment Benefits (OPEB) Plans)

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

Compensated Absences

Employees may accumulate up to 180 days of sick leave. However, since the city does not have a policy to pay any amounts when employees separate from service with the government, there is no liability recorded for unpaid accumulated sick leave. Sick leave pay is recorded as an expense/expenditure upon usage. Eligible employees accumulate 10 to 25 days of vacation annually depending upon the employee's length of service, but may not accumulate more than two full years of earned accrual.

At the time of retirement or separation from the City, employees will be compensated for any unpaid accumulated vacation leave up to 240 hours.

Unearned Revenues

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

Deferred Outflow/Inflows of Resources

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's controls. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to outstanding debt, pensions and OPEB.

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a new decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflow of resources presented in this manner on the accompanying financial statements are related to outstanding debt, leases, pensions, and timing-related revenue adjustments.

Long-term Debt (see note 8-Long-Term Debt)

Liabilities for long-term debt are recorded in the government-wide statement of net position and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

For governmental funds financial statements, bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as a debt service expenditure. The nature of debt in the governmental activity is specific to a program and, therefore; debt service costs are not an allocated expenditure.

Net Position and Fund Balance

Net Position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the City is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital.

Fund balances, with the implementation of GASB 54, presented in the governmental fund financial statements represent the difference between assets and liabilities reported within the government fund. Fund balance is classified into the following categories:

Non-spendable – items that cannot be spent due to form; inventories, prepaid amounts, long-term loan receivables, or amounts that must be maintained intact legally.

Spendable - amounts are further segregated into categories based on the degree to which the uses of resources are constrained. When an expenditure is incurred for which restricted and unrestricted amounts are available, the City considers restricted amounts to be used first, followed by committed, then assigned, and lastly, unassigned amounts.

Restricted – amounts constrained for specific purposes imposed by external parties, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

Committed – fund balance constrained by ordinance or resolution is adopted by City council and requires the same action to remove the constraint. In Washington State, ordinances and resolutions carry the same force of law.

Assigned – constraints that are neither restricted or committed, are considered assigned. Assignments are adopted by City Council through the budget ordinance. Special revenue funds typically report the majority of assigned fund balance and are created through ordinance by City Council. Fund balance in special revenue funds that are intended to be used for specific purposes, but are neither restricted or committed, include transfers from other funds, investment interest not constrained by contract or covenant, fees for services and rents.

Unassigned – any remaining fund balance in the general fund not classified as non-spendable, restricted, committed or assigned is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. Also, the City's financial policies require a minimum of 10% of General Funds budgeted revenues (less beginning fund balance) be held in reserve. The reserves can be used for anything that council feels is necessary and therefore is reported as unassigned. Any and all expenditures from the reserve require a super majority vote by the entire City Council.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The City's deposits and certificates of deposit are entirely 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).

Cash and Deposits	Total
Cash on Hand	4,750
FDIC Insured Bank Deposits	5,177,666
Total Cash and Deposits	5,182,416

Investments

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, the State of Washington Local Government Investment Pool, or certificates of deposit with Washington State Banks.

The City is a participant in the Local Government Investment Pool (LGIP) which 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 prepared a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Credit Risk - Safety of principal is the foremost objective of the City's investment program. City investments are undertaken in a conservative manner that seeks to ensure the preservation of the portfolio's capital. The City holds investments in government agencies all of which hold AAA ratings from Standard & Poor's and Aaa from Moody's Investor Services.

Custodial Credit Risk is the risk that in the event of a bank failure, the City's investments may not be recovered. All City securities are held for safekeeping by US Bank.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Safety of the principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The City's investment policy limits the effective duration of the portfolio to a maximum of five with a weighted average maturity of two years.

Investments that are not measured at fair value

As of December 31, 2022, the City had the following investments at amortized cost reported as cash equivalents:

Investment Type	Maturities	Total
CD – Bank of America	6/16/2023	11,683
Deposit Account – Opus Bank	-	2,848,326
State Pool Primary	-	39,562,831
Total Deposits	-	\$42,422,840

Investments measured at fair value

Investment Type	Fair Value	Less Than 1 Year	1 to 4 Years
Federal Farm Credit Bank	4,132,030	2,946,807	1,185,223
Federal Home Loan Bank	5,465,772	3,461,314	2,004,458
Federal National Mortgage Association	3,618,891	2,905,714	713,177
Federal Home Loan Mortgage Association	3,165,870	3,165,870	-
US Treasury Notes	32,333,340	9,048,687	23,284,654
Municipal Bonds	230,025	-	230,025
Total Investments	\$ 48,945,928	\$ 21,528,391	\$ 27,417,537

The City measures and reports investments at fair value using the valuation input hierarchy established by generally 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

Investment Type	Fair Value	Quotes Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Federal Agency Securities	16,382,563	-	16,382,563
US Treasury Securities	32,333,340	32,333,340	-
Municipal Bonds	230,025	230,025	-
Total Investments	\$ 48,945,928	\$ 32,563,365	\$ 16,382,563

NOTE 3 - PROPERTY TAXES:

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy January 1. New construction through August 31 is included in the annual tax levy the following January 1.

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

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

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

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

The City's regular levy for 2022 was \$1.4966 per \$1,000 on an assessed valuation of \$10,902,282,244.

Purpose of Levy	Levy Rate Per \$1,000	Total Levy Amount
General Government	1.0024	\$ 10,928,205
Emergency Medical Service (EMS)	.4942	5,388,681
Total City Levy	\$ 1.4966	\$ 16,316,886

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in governmental capital assets follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/2022	ADDITIONS	DELETIONS	ENDING BALANCE 12/31/2022
Capital assets, not being depreciated:				
Land	36,717,032	960,576	-	37,677,608
Construction in progress	77,120,454	15,380,236	(68,037,968)	24,462,722
Total capital assets not being depreciated	113,837,486	16,340,813	(68,037,968)	62,140,330
Capital assets, being depreciated:				
Buildings and structures	10,832,736	67,006,571	(426,058)	77,413,249
Improvements other than buildings	14,022,002	708,721	-	14,730,723
Infrastructure	169,881,572	3,181,576	-	173,063,148
Machinery and equipment	20,966,574	531,305	(50,499)	21,447,380
Right to use lease assets	215,782	80,554	-	296,336
	215,918,666	71,508,728	(476,557)	286,950,837
Less accumulated depreciation for:				
Buildings	(2,756,098)	(426,642)	374,326	(2,808,414)
Improvements other than buildings	(4,608,161)	(460,072)	-	(5,068,233)
Infrastructure	(32,651,456)	(2,094,058)	-	(34,745,514)
Machinery and equipment	(11,558,725)	(1,378,410)	50,499	(12,886,636)
Right to use lease assets	-	(43,989)	-	(43,989)
Total accumulated depreciation	(51,574,440)	(4,403,171)	424,825	(55,552,786)
Total assets being depreciated, net	164,344,227	67,105,556	(51,732)	231,398,051
Governmental activities capital assets, net	278,181,713	83,446,369	(68,089,701)	293,538,381

A summary of changes in business-type capital asset follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING			ENDING
	BALANCE			BALANCE
	1/1/2022	ADDITIONS	DELETIONS	12/31/2022
Capital assets, not being depreciated:				
Land	10,600,464	-	-	10,600,464
Construction in progress	4,444,214	7,994,075	(291,422)	12,146,867
Total capital assets not being depreciated	15,044,678	7,994,075	(291,422)	22,747,331
Capital assets, being depreciated:				
Buildings and structures	9,849,871	-	-	9,849,871
Improvements other than buildings	273,256,230	11,102,768	-	284,358,998
Machinery and equipment	5,117,949	99,860	(8,752)	5,209,057
Right to use lease assets	18,760	53,989	-	72,749
	288,242,810	11,256,617	(8,752)	299,490,676
Less accumulated depreciation for:				
Buildings	(4,781,052)	(197,909)	-	(4,978,961)
Improvements other than buildings	(127,746,201)	(7,274,556)	-	(135,020,757)
Machinery and equipment	(3,206,269)	(143,032)	1,459	(3,347,843)
Right to use lease assets	-	(7,354)	-	(7,354)
Total accumulated depreciation	(135,733,523)	(7,622,851)	1,459	(143,354,915)
Total assets being depreciated, net	152,509,288	3,633,766	(7,293)	156,135,761
Business-type activities capital assets, net	\$ 167,553,966	\$ 11,627,841	\$ (298,715)	\$ 178,883,092

Net Investment in capital assets

Governmental Activities

Net Capital Assets	293,538,381
Less Noncurrent Debt	(62,390,000)
Less Current Debt Principal	(3,780,000)
Less leases payable	(254,055)
Less Debt Premium	(6,619,643)
Plus Deferred Outflow Related to Debt	184,495
Net investments in capital assets	220,679,178

Business Activities

Net Capital Assets	178,883,092
Less Noncurrent Debt	(18,366,320)
Less Current Debt Principal	(3,918,712)
Less Debt Premium	(1,667,785)
Less Leases	(65,795)
Less Accounts & Retainage Payable	(2,606,687)
Plus Deferred Outflow Related to Debt	252,086
Net investments in capital assets	152,509,879

Depreciation

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

Governmental Activities

General Government Services	\$ 576,507
Protection of Persons & Property	18,628
Physical Environment	6,581
Transportation	2,230,233
Physical Health	5,887
Culture & Recreation	238,206
Internal Service	1,327,414
Total Depreciation-Governmental Activities	\$ 4,403,456

Business-type Activities

Waterworks Utility	\$ 7,588,029
Golf	34,584
Solid Waste	1,112
Total Depreciation-Business-Type Activities	\$ 7,623,725

Construction Commitments

As of December 31, 2022, the City had other outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The City's outstanding contract obligations are summarized below:

Project	Expended To Date	Remaining Commitment
Parks Construction	4,550,486	573,284
Street Construction	23,696,600	3,112,948
Utility Construction	13,443,128	10,739,571
Total	41,690,214	14,425,803

NOTE 5 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	(3,747,145)
Pension assets	12,709,065
Deferred outflows of resources	10,422,241
Deferred inflows of resources	(9,518,675)
Pension expense/expenditures	933,635

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be 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 Fees	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 City's actual PERS plan contributions were \$865,022 to PERS Plan 1 and \$1,346,172 to PERS Plan 2/3 for the year ended December 31, 2022.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
TOTAL	10.39%	6.50%
September – December 2022		
PSERS Plan 2	6.60%	6.50%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
TOTAL	10.63%	6.50%

The City's actual contributions to the PSERS 2 plan were \$123,558 for the year ended December 31, 2022.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

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

- 20+ years of service 2.0% of FAS
- 10-19 years of service 1.5% of FAS
- 5-9 years of service 1.0% of FAS

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

Contributions

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

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each

year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
TOTAL	5.30%	8.53%

The City's actual contributions to the plan were \$477, 454 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$297,732.

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 3.25% 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 their 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 return assumption was reduced from 7.5% (7.4% for LEOFF 2) 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 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

The table below summarizes the 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. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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 Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 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	\$ 5,006,135	\$ 3,747,145	\$ 2,684,343
PERS 2/3	7,129,236	(6,053,880)	(16,884,644)
PSERS 2	386,832	(162,409)	(595,881)
LEOFF 1	(402,521)	(459,322)	(508,578)
LEOFF 2	(277,834)	(6,033,453)	(10,743,934)

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 City reported a total pension liability of \$3,747,145 and a total pension asset of (\$12,709,065) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 3,747,145
PERS 2/3	(6,053,880)
PSERS 2	(162,409)
LEOFF 1	(459,322)
LEOFF 2	(6,033,453)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(459,322)	(6,033,453)
State's proportionate share of the net pension liability/(asset) associated with the employer	(3,106,845)	(3,908,339)
TOTAL	(3,566,167)	(9,941,792)

At June 30, the City'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	.130211%	.134578%	.004367%
PERS 2/3	.156564%	.163231%	.006667%
PSERS 2	.177195%	.227146%	.049951%
LEOFF 1	.015584%	.016012%	.000428%
LEOFF 2	.240518%	.222006%	(.018512%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39.00 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61.00 percent of employer contributions.

Pension Expense

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

	Pension Expense
PERS 1	\$ 1,838,186
PERS 2/3	(1,972,469)
PSERS 2	39,499
LEOFF 1	(31,251)
LEOFF 2	1,059,669
TOTAL	933,635

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City 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	-	(621,012)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	444,670	-
TOTAL	444,670	(621,012)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,500,010	(137,044)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,475,678)
Changes of assumptions	3,374,203	(883,487)
Changes in proportion and differences between contributions and proportionate share of contributions	234,951	(230,550)
Contributions subsequent to the measurement date	680,755	-
TOTAL	5,789,918	(5,726,760)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	84,371	(1,787)
Net difference between projected and actual investment earnings on pension plan investments	-	(113,897)
Changes of assumptions	119,229	(47,637)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(37,224)
Contributions subsequent to the measurement date	67,158	-
TOTAL	270,758	(200,545)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(57,353)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(57,353)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,433,648	(55,980)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,020,231)
Changes of assumptions	1,528,444	(525,349)
Changes in proportion and differences between contributions and proportionate share of contributions	715,074	(311,446)
Contributions subsequent to the measurement date	239,729	-
TOTAL	3,916,895	(2,913,005)

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

Year ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF1	LEOFF 2
2023	(262,799)	(1,360,938)	(40,864)	(24,921)	(593,863)
2024	(238,690)	(1,209,380)	(36,124)	(21,994)	(509,369)
2025	(299,429)	(1,460,238)	(45,763)	(27,500)	(691,327)
2026	179,906	2,016,143	51,315	16,432	912,047
2027	-	700,716	10,615	-	291,762
Thereafter	-	696,100	63,877	-	1,354,911
Total	(621,012)	(617,597)	3,055	(57,353)	764,161

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2022.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	(3,460,205)
Deferred outflows of resources	82,774
OPEB expense/expenditures	389,206

OPEB Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for 7 LEOFF 1 retirees. The City provides medical insurance and reimbursements for all necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source. Medical insurance for the retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions.

The City provides health coverage for LEOFF 1 retirees through a medical plan purchased through the Association of Washington Cities (AWC) Employees Benefit Trust as a single employer plan. In addition, the City pays or reimburses eligible retired LEOFF 1 police officers the necessary usual and customary medical expenses in excess of those covered by the applicable insurance plan. The City also purchases a long-term care insurance plan for eligible LEOFF 1 members. Dental costs and dependents are not covered.

Employees covered by benefit terms – At December 31, 2022, the following employees were covered by the benefit terms:

Covered Employees	
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	7

Funding for LEOFF 1 retiree healthcare costs is provided by the City as required by RCW. These medical benefits are funded on a pay-as-you-go basis through the General Fund and paid out of the Police Department budget. Health insurance premiums are paid monthly and long-term care insurance is paid annually. Other medical services are paid as billings are presented for reimbursement. The City reimbursed 100 percent of the amount of validated claims for medical costs incurred by these individuals.

Assumptions and Other Inputs

The City's Net OPEB Liability (OPEB) was calculated using the alternative measurement method in accordance with the parameters of GASB Statement 75 for employers in plans with fewer than one hundred total plan members utilizing the interactive tool developed by the Office of the State Actuary (OSA) for use by local government. The following assumptions were used to measure the total Net OPEB Liability:

Discount Rate

Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%

Healthcare Trend Rates

Medical Costs	Approximately 5.0%, varies by year
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5.5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	PubS.H-2010 (Public Safety)
	Blended 50%/50% Healthy/Disabled
Age Setback	-1 year Healthy/ 0 years Disabled
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Medicare Participation Rate	100%

The following presents the total OPEB liability for the City of Marysville 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-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 3,147,180	\$ 3,460,205	\$ 3,817,019

The following presents the total OPEB liability of the City of Marysville calculated using the current discount rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 3,841,287	\$ 3,460,205	\$ 3,133,576

Changes in the Total OPEB Liability

For 2022, a schedule of changes in the total OPEB liability is reported below.

LEOFF 1	
Total OPEB Liability at 1/1/2022	4,008,111
Interest	84,870
Changes of experience data & assumption	(474,076)
Estimated benefit payments	(158,700)
Total OPEB Liability as 12/31/2021	3,460,205

The measurement date of 6/30/2022 was used in the calculation. The city uses the alternative measurement method in accordance with GASB 75. The City paid benefits of \$69,514 for the year ended December 31, 2022.

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

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Payments subsequent to the measurement date	82,774	-
TOTAL	82,774	-

NOTE 7 – RISK MANAGEMENT

The City is exposed to financial loss resulting from city-caused damage to property or persons, bodily injuries, natural disasters, and unemployment compensation benefits paid to former employees. Individual internal service funds are used to account for and finance self-insurance activities. These include unemployment compensation and general liability. The city purchases commercial insurance for claims in

excess of anticipated self-insured losses. Premiums paid to these funds by other governmental funds are used to pay for administrative costs, claims, and risk transfer/insurance.

Unemployment Compensation Insurance

In October 2018, the City Council signed resolution 2453 changing the payment method for the City's Unemployment Insurance. In January, 2019, the City started collecting premiums from other governmental funds and making payments to reimburse the State of Washington Employment Security Department on a quarterly basis for unemployment compensation claims paid to former employees.

Liability Insurance

The City of Marysville purchases a variety of insurance coverages to protect itself from unexpected financial loss. Liability coverage is in force with limits up to \$25,000,000, subject to a self-insured retention of \$100,000, which applies on a per occurrence basis. Coverage includes automobile liability, general liability, law enforcement liability, and public officials liability, employment practices liability, employee benefit liability, and Washington Stop Gap coverage. Claims are administered by the City with the assistance from Defense Counsel depending on the need, and subject to involvement from our excess insurers should a loss exceed our self-insured retention. Insurance for property, equipment breakdown, automobile physical damage, cyber, and pollution related exposures is also in place. A brief summary of insurance in force is as follows:

Policy Type	Limits of insurance	Carrier	Deductible
Commercial Property, Equipment Breakdown, Automobile Physical Damage, and Boiler & Machinery Insurance	\$200,000,000 All Risk \$100,000,000 Boiler & Machinery \$25,000,000 Flood \$ 5,000,000 Flood Zones A&V \$ 100,000 Unscheduled Business Interruption \$50,000,000 Extra Expense	Various Carriers	\$10,000
Earthquake	\$5,000,000	Everest Indemnity Insurance Company	\$250,000
Commercial Cyber Liability Insurance	\$2,000,000 Aggregate \$ 500,000 Privacy Notification/Monitoring Costs	Lloyd's of London - Beazley Syndicate	\$75,000
Pollution	\$2,000,000 Aggregate	Interstate Fire and Casualty Company	\$150,000
Crime	\$2,500,000	National Union Fire Insurance Company of Pittsburgh, PA	\$10,000
General Liability	\$2,000,000 Each Occurrence	Safety National Casualty Corp	\$100,000 Self-Insured Retention
Auto Liability	\$2,000,000 Combined Single Limit Bodily Injury & Property Damage	Safety National Casualty Corp	\$100,000 Self-Insured Retention
Public Officials Liability	\$2,000,000 Each Wrongful Act	Safety Specialty Insurance Co.	\$100,000 Self-Insured Retention
Law Enforcement Liability	\$200,000,000 Each Occurrence Limit	Safety Specialty Insurance Co.	\$100,000 Self-Insured Retention
Excess Liability	\$3,000,000 Each Occurrence Limit xs \$2,000,000	Safety National Casualty Corp.	N/A
Excess Liability	\$15,000,000 xs \$5,000,000	Allied World Assurance Co. & Evanston Insurance Company	N/A
Excess Liability	\$5,000,000 xs \$20,000,000	Hallmark Specialty Insurance Co.	N/A

Since the city began to self-insure in 2019 there have been no claims which have exceeded the city's self-insurance limit.

At December 31, 2022, the city had available cash and investments in the self-insurance funds of \$ 3,365,097. The claims liability reported in the self-insurance funds is based on the requirements of GASB Statement 10. Prior to the issuance of the financial statements, GASB Statement 10 requires that a liability for claim be reported if it is probable that a liability has been incurred at the date of the financial statements and can be reasonably estimated. This estimated liability is not discounted to present value.

Changes in the self –insurance funds' claims liabilities in 2022 are shown in the table below:

	Insurance Fund	Unemployment Compensation Fund
December 31, 2021		
Beginning Liability	105,000	8,949
Claims Incurred	47,494	5,255
Claims Paid	62,494	13,657
Ending Liability	90,000	547
December 31, 2022		
Beginning Liability	90,000	547
Claims Incurred	(448)	9,721
Claims Paid	81,074	10,268
Ending Liability	8,478	--

In 2020, the City created a self-insured health benefits program for its employees as a means to contain rising health benefit costs. Medical Insurance Fund 512 was established to account for the distribution of actual medical expense, associated administrative costs and reserves for the program. The Association of Washington Cities continues to provide medical coverage for LEOFF 1 retirees, long term disability insurance and employees who chose Kaiser or Group Health insurance.

In order to mitigate its risk exposure, the City holds individual and aggregate stop loss insurance and maintains both claims fluctuation and liability reserves. The claims fluctuation liability reserve was \$1,405,081 at December 31, 2022 based on an analysis of the recent twelve months of incurred claims with applied monthly completion factors, as required by Washington Administrative Code (WAC) 200-110-040(a).

	Medical Insurance Fund
December 31, 2021	
Beginning Liability	1,052,266
Claims Incurred	3,600,772
Claims Paid	3,546,257
Ending Liability	1,106,781
December 31, 2022	
Beginning Liability	1,106,781
Claims Incurred	3,781,827
Claims Paid	3,483,527
Ending Liability	1,405,081

NOTE 8 – LONG-TERM DEBT

The city issues general obligation bonds to finance the purchase, acquisition, and construction of significant capital assets. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. Federal obligation bonds are direct obligations and pledge the full faith and credit of the government.

In August, 2020, the City issued \$11,590,000 in limited tax general obligation bonds with an average interest rate of 2.644% to provide additional funds for the construction of a new public safety building and other general government facilities.

In September, 2020 the City issued \$4,320,000 in limited tax general obligation bonds with an interest rate of 2.00% to refund \$4,320,000 of outstanding 2010 limited tax general obligation bonds. The aggregate difference in debt service between the refunded 2010 debt and the new 2020 issue was \$1,018,898 and resulted in a net present value savings of \$755,383. The refunded 2010 bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

General government obligation bonds outstanding at December 31, 2022 are as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Governmental Activities						
LTGO Refunding Bonds 2013	10/16/13	12/01/23	3.00-5.00	6,315,000	5,400,000	915,000
LTGO Bonds Series 2016 Refunding	09/01/14	12/01/27	2.00	4,990,000	2,360,000	2,630,000
LTGO Bonds 2013	10/16/13	12/01/30	3.00-5.00	9,005,000	4,020,000	4,985,000
LTGO Bonds 2018	06/28/18	12/01/38	3.00-5.00	11,375,000	460,000	10,915,000
LTGO Bonds 2018B	10/09/18	12/01/48	5.00	31,280,000	1,100,000	30,180,000
LTGO Bonds 2020A	08/18/20	12/01/40	2.00-5.00	11,590,000	780,000	10,810,000
LTGO Bonds 2020B	09/10/20	12/01/34	2.00	4,320,000	-	3,920,000
Total Governmental Activities				\$ 78,875,000	\$ 14,120,000	\$ 64,355,000
Special Assessments (w/government commitment)						
LID 71 - 156th Street Overpass	09/23/14	06/01/36	2.05-4.15	6,022,846	4,207,846	1,815,000
Total Special Assessments				6,022,846	4,207,846	1,815,000
TOTAL GENERAL OBLIGATION BONDS				\$ 84,897,846	\$ 18,327,846	\$ 66,170,000

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

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES			SPECIAL ASSESSMENT		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2023	3,780,000	2,616,769	6,396,769	-	75,323	75,323
2024	2,890,000	2,467,019	5,357,019	-	75,323	75,323
2025	3,005,000	2,354,994	5,359,994	-	75,323	75,323
2026	3,125,000	2,238,019	5,363,019	-	75,323	75,323
2027-2031	14,940,000	9,282,106	24,222,106	-	376,613	376,613
2032-2036	13,400,000	6,616,250	20,016,250	1,815,000	376,613	2,191,613
2037-2041	11,070,000	4,267,188	15,337,188	-	-	-
2042-2046	8,240,000	2,252,750	10,492,750	-	-	-
2047-2050	3,905,000	295,250	4,200,250	-	-	-
TOTAL	\$ 64,355,000	\$ 32,390,344	\$ 96,745,344	\$ 1,815,000	\$ 1,054,515	\$ 2,869,515

The LTGO Bond issue 2020B was a direct borrowing issue and the debt service requirements are included in the governmental activities table above and shown separately below:

YEAR ENDING	LTGO 2020B		
12/31	PRINCIPAL	INTEREST	TOTAL
2023	315,000	78,400	393,400
2024	235,000	72,100	307,100
2025	235,000	67,400	302,400
2026	250,000	62,700	312,700
2027-2031	1,710,000	225,300	1,935,300
2032-2034	1,175,000	47,400	1,222,400
TOTAL	\$ 3,920,000	\$ 553,300	\$ 4,473,300

Business-type Long-Term Debt

The City issues revenue bonds to finance construction projects for the City's utilities. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Waterworks Utility fund. Revenue debt outstanding as of December 31, 2022 is as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Water Revenue Bonds	05/29/14	04/01/28	2.00-5.00	39,945,000	18,935,000	21,010,000
TOTAL REVENUE BONDS				\$ 39,945,000	\$ 18,935,000	\$ 21,010,000

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

YEAR ENDING	REVENUE BONDS BUSINESS-TYPE ACTIVITY			
	12/31	PRINCIPAL	INTEREST	TOTAL
2023		3,170,000	681,050	3,851,050
2024		3,330,000	518,550	3,848,550
2025		3,465,000	383,325	3,848,325
2026		3,575,000	277,725	3,852,725
2027-2028		7,470,000	225,750	7,695,750
TOTAL	\$	21,010,000	\$ 2,086,400	\$ 23,096,400

The City's other business type activities consist of multiple Public Works Trust Funds Loans and a Drinking Water Revolving Fund Loan used to update the Wastewater Treatment Plant and to construct a new filtration plant.

Other Business-type long-term debt outstanding as of December 31, 2022, is as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (S)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
PWTFLL-WWTP Phase II	05/13/04	07/01/24	0.50	10,000,000	8,947,368	1,052,632
DWRFL-Stillly Well	12/12/03	10/01/23	1.50	4,080,000	3,857,602	222,398
Total Other Long Term Obligations				14,080,000	12,804,969	1,275,031
TOTAL OTHER BUSINESS-TYPE LONG TERM OBLIGATIONS				\$ 14,080,000	\$ 12,804,969	\$ 1,275,031

Annual debt service requirements to maturity for other Business-type long term debt are as follows:

OTHER BUSINESS-TYPE ACTIVITIES		
PRINCIPAL	INTEREST	TOTAL
748,712	8,599	757,311
526,315	2,632	528,947
\$ 1,275,027	\$ 11,231	\$ 1,286,258

Total Business-type debt service requirements to maturity is as follows:

YEAR ENDING 12/31	TOTAL BUSINESS-TYPE ACTIVITY		
	PRINCIPAL	INTEREST	TOTAL
2023	3,918,712	689,649	4,608,361
2024	3,856,315	521,182	4,377,497
2025	3,465,000	383,325	3,848,325
2026	3,575,000	277,725	3,852,725
2027-2028	7,470,000	225,750	7,695,750
TOTAL	\$ 22,285,027	\$ 2,097,631	\$ 24,382,658

At December 31, 2022, the City has \$732,792 available in governmental debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$5,249,246 in sinking funds and reserves as required by bond indentures.

NOTE 9 – LEASES

Lessee

The City leases a postage machine under a 60-month noncancelable lease, ending in 2024 and a vehicle under a 60-month noncancelable lease ending in 2027. The City leases numerous copiers under several different lease agreements with Copiers Northwest. The copier leases have 48-month initial term plus a 48-month extension option which the City is likely to exercise.

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

Description	Beginning	GOVERNMENTAL ACTIVITIES		Ending
		Increases	Decreases	
Postage Machine	5,188	-	-	5,188
Copiers	210,594	80,554	-	291,148
Total	215,782	80,554	-	296,336
Accumulated Depreciation	-	(43,989)	-	(43,989)
	\$ 215,782	\$ 36,565	\$ -	\$ 252,347

Description	Beginning	BUSINESS-TYPE ACTIVITIES		Ending
		Increases	Decreases	
Postage Machine	576	-	-	576
Copiers	18,183	22,911	-	41,095
Vehicle	-	31,078	-	31,078
Total	18,760	53,989	-	72,749
Accumulated Depreciation	-	(7,354)	-	(7,354)
	\$ 18,760	\$ 46,635	\$ -	\$ 65,394

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

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	42,896	3,206	46,102
2024	43,521	2,580	46,102
2025	42,420	1,945	44,365
2026	42,220	1,302	43,522
2027-2031	82,997	1,363	84,359
TOTAL	\$ 254,055	\$ 10,396	\$ 264,450

YEAR ENDING 12/31	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	11,418	1,551	12,969
2024	11,732	1,237	12,969
2025	11,864	913	12,776
2026	12,199	578	12,776
2027-2031	18,582	358	18,940
TOTAL	\$ 65,796	\$ 4,636	\$ 70,432

Lessor

The City is a lessor in four real property space leases, under non-cancelable agreements of varying lengths and termination dates. In 2022, the City received \$47,254 in principal and \$13,958 in interest on governmental leases and \$55,992 in principal and \$2,095 in interest on business-type leases.

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

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	49,178	12,344	61,523
2024	55,277	10,607	65,883
2025	28,528	8,732	37,260
2026	29,384	7,876	37,260
2027-2031	178,709	24,824	203,533
2032-2033	83,732	1,966	85,698
TOTAL	\$ 424,809	\$ 66,348	\$ 491,157

YEAR ENDING 12/31	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	59,072	1,916	60,988
2024	6,327	420	6,747
2025	6,765	185	6,950
TOTAL	\$ 72,164	\$ 2,521	\$ 74,685

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 67,995,000	\$ -	\$ (3,640,000)	\$ 64,355,000	\$ 3,780,000
For issuance premiums	6,989,658	-	(370,015)	6,619,644	363,162
Total bonds Payable	74,984,658	-	(4,010,015)	70,974,644	4,143,162
Special Assessment (w /government commitment)	2,215,000	-	(400,000)	1,815,000	-
Pension Liability	1,090,818	1,724,054	-	2,814,872	-
OPEB Liability	4,008,111	-	(547,906)	3,460,205	165,547
Leases	215,782	80,554	(42,281)	254,055	42,896
Compensated absences	2,178,302	128,074	-	2,306,376	1,153,188
Governmental activity long-term liabilities:	<u>\$ 84,692,671</u>	<u>\$ 1,932,682</u>	<u>\$ (5,000,202)</u>	<u>\$ 81,625,152</u>	<u>\$ 5,504,793</u>
Business-Type Activities					
Bonds payable:					
Revenue Bond	24,020,000	-	(3,010,000)	21,010,000	3,170,000
For issuance premiums	1,945,749	-	(277,964)	1,667,785	277,964
Total bonds Payable	25,965,749	-	(3,287,964)	22,677,785	3,447,964
Public Works Trust Fund Loans	2,553,156	-	(1,278,125)	1,275,031	748,712
Pension Liabilities	499,362	432,911	-	932,273	-
Leases	18,760	53,989	(6,953)	65,796	11,418
Compensated absences	396,608	5,303	-	401,911	200,956
Business-type activity long-term liabilities:	<u>\$ 29,433,635</u>	<u>\$ 492,203</u>	<u>\$ (4,573,042)</u>	<u>\$ 25,352,796</u>	<u>\$ 4,409,050</u>

The general fund has been used to liquidate other post employment benefits.

Since internal service funds predominantly serve the governmental funds, their long-term liabilities are included as part of the above totals for governmental activities. At year end the governmental balances above include \$343,274 related to the internal service funds' net pension liability and \$131,851 related to internal service funds' compensated absences. Also, for the governmental activities compensated absences are generally liquidated by the general fund.

Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2022.

NOTE 11 – RECEIVABLES

Receivables as of December 31, 2022 appear as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable			
Property Taxes	269,645	-	269,645
Sales & Use Taxes	4,237,106	-	4,237,106
Real Estate Excise Taxes	228,650	-	228,650
Utility Taxes	455,562	-	455,562
Total Tax Receivable	5,190,963	-	5,190,963
Sale of Capital Asset Receivable			
RFA Purchase of Public Safety Building	1,175,000	-	1,175,000
Total Sale of Asset Receivable	1,175,000	-	1,175,000
Customer Receivables			
Miscellaneous	1,911,751	3,066,053	4,977,804
Utility Accounts	-	8,119,001	8,119,001
Total Customer Receivable	1,911,751	11,185,054	13,096,805
Interest	11,503	10,023	21,526
Total Receivables	8,289,217	11,195,077	19,484,294

NOTE 12 - CONTINGENCIES AND LITIGATION

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

The City of Marysville is the defendant in certain legal actions. At this time the City Attorney is unable to determine the probability of the outcomes in these cases. However, in all cases of legal actions against the city, the City Attorney believes there are meritorious defenses to the plaintiffs' claims, and that both separately and collectively the alleged damages in these cases are within the coverage limits of the city's insurance policies. Therefore, the city believes that the costs of defending these claims, and any awards, if any, will not be material to the city's financial position.

NOTE 13 - INTERFUND TRANSACTIONS AND BALANCES

Loans between funds are classified as interfund loans receivable and payable, or advances to and from other funds depending on the time period for which the loan was made. Advances to other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements. Interfund loans receivable and payable are used primarily to meet short-term cash flow requirements while waiting for other financing instruments to be put in place.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods, or services in return. The City uses transfers to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund activity for the year is as follows:

Funds	Interfund Loans Receivable	Interfund Loans Payable
001- General	285,578	-
115- Affordable Housing Tax	-	285,578
310 - Parks Construction	-	1,231,234
410 - Solid Waste	1,231,234	-
Total	\$ 1,516,812	\$ 1,516,812

Current year transfers were to fund street maintenance, street construction, debt service, and vehicle purchases. The General fund provides an annual subsidy to the Golf Course, and the Waterworks Utility provides annual funding to Street Maintenance for surface water activities.

Transfer In				
Fund	General	General Capital Improvements	Nonmajor Governmental	Total Transfer Out
General Fund	-	11,910,520	6,259,098	18,169,618
Nonmajor Governmental Funds	1,645,688	-	5,059,840	6,705,528
Waterworks Utility	883,099	-	(61,323)	821,776
Total Transfer In	\$ 2,528,787	\$ 11,910,520	\$ 11,257,615	\$ 25,696,922

NOTE 14 – JOINT VENTURES & OTHER RELATED ORGANIZATIONS

Marysville Fire District RFA

A RFA Planning Committee consisting of three elected officials from the district and four elected officials from the City of Marysville, supported by leadership and staff, was established in February 2018 to evaluate the feasibility of creating a new and separate regional fire authority to provide the fire protection and emergency services within the boundaries of the City of Marysville and District 12. After one year of review, analysis, outreach and planning, the committee proposed a RFA plan document providing for the governance, design, financing and development of fire protection and emergency services. The Fire District Board and Marysville City Council passed resolutions in February 2019 to forward the RFA plan to a public vote on April 23, 2019. Voters in Marysville and Fire District 12 approved the plan authorizing and creating the Marysville Fire District RFA effective October 1, 2019.

The RFA is governed by a Board of Directors consisting of five (5) voting members consisting of four (4) elected officials of the Marysville City Council and (1) elected official from District 12. There is an additional non-voting member who shall be one (1) elected official from the District.

Separate financial statements for the new RFA may be obtained from Marysville Fire District RFA, Finance Department, 1094 Cedar Ave, Marysville, WA 98270.

Snohomish County 911

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

In the event of the dissolution of Snohomish County 911, any money in the possession of Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this agreement shall be returned to the parties to this agreement and shall be

apportioned between the parties based on the average ratio of each parties' contributions to the operating budget over the preceding five years. Before deducting the payment of all costs, expenses and charges validly incurred, the city's share was \$1,755,992 on December 31, 2021. The City's equity interest of \$1,755,992 was recorded in government activities on the statement of net position.

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

Alliance of Housing Affordability

In September, 2013, the City of Marysville joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Snohomish, the Town of Woodway and Snohomish County to establish the Alliance of Housing Affordability (AHA). The agreement was amended in May 2014, to add the City of Arlington and in June 2014, to add the City of Stanwood. The purpose of the AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

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

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

Fiscal Year	AHA Budget	Marysville's share	% of Budget
2014	\$ 89,850	\$ 3,613	4.0%
2015	92,543	3,721	4.0%
2016	93,651	3,702	4.0%
2017	97,934	3,675	3.8%
2018	102,586	5,513	5.4%
2019	107,391	6,541	6.1%
2020	112,408	6,939	6.2%
2021	117,673	7,002	6.0%
2022	118,200	7,014	9.4%
2023	135,522	7,405	9.2%

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

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 127711 4th Ave W, Everett, WA 98204 (or email: pfrost@hasco.or) or from Chris Collier, Program Manager, Alliance of Housing Affordability, 127711 4th Ave W, Everett, WA 98204.

AWC Employee Benefit Trust

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

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

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement. In 2020 the City created a self-insured health benefits program for its employees to contain raising health benefit costs. AWC continues to provide medical insurance for employees who elect to be covered under the Kaiser Foundation Health Plan of Washington and the city's LEOFF 1 retirees.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022 the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

NOTE 15- POLLUTION REMEDIATION OBLIGATION

On December 20, 2016, the City purchased the WELCO Lumber company property located at 1218 1st Street, Marysville, WA. After conducting both a Phase I and Phase II Environmental Site Assessments analytical data from the consultant's investigation indicated concentrations of TPH above the MTCA Method A cleanup levels were present in the site soils. In addition soil and water impacts identified were in multiple areas all over the site and likely represent multiple, separate releases none of which have been fully characterized with respect to lateral or vertical extend. In order to assess the full impacts to the property and develop accurate clean-up costs, further investigations are required.

NOTE 16 – ASSET RETIREMENT OBLIGATION

The City of Marysville provides water, sewer and surface water services to the citizens of Marysville. As a provider of these services, the City owns, operates and maintains a lagoon, sewer filtration plants, and several wells. The City is continually maintaining and upgrading these assets ensuring that they remain in good service and continually extending the life of the assets with no plans to decommission any of these assets.

NOTE 17 – ACCOUNTING AND REPORTING CHANGES**New Accounting Standards**

In 2022, the City 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 Adjustments

Prior period adjustments totaling \$3,850,687 are reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to correct previously under-reported revenue accruals. Of this total, \$3,131,888 is reported in the General Fund and \$718,799 is reported in non-major Other Governmental Funds.

A prior period adjustment of \$3,979,864 is reported in the governmental column of the Statement of Activities to correct the above noted \$3,850,687 plus \$129,177 to correct a previously under-reported deferred outflow relating to bond refunding.

NOTE 18 – SUBSEQUENT EVENTS**Blake Decision**

In February 2021, the Washington Supreme Court declared in *State v. Blake* (cause no. 96873-0) that RCW 69.50.4013, Washington's simple possession of a controlled substance statute, and its predecessor statutes (collectively "RCW 69.50.4013") were unconstitutional.

Because cases affected by Blake were pursued under State statute, the City maintains that the State is liable (1) for extraordinary costs associated with resentencing and vacating sentences of defendants affected by Blake ("Extraordinary Expenses"), and (2) for costs for LFO Reimbursement. The City will code any monies received or remitted accordingly.

In August 2022, the State, through its Administrative Office of the Courts ("AOC") entered into an agreement ("Agreement") with the City. The Agreement obligates the AOC to reimburse the City for up to \$432,118 for Extraordinary Expenses and \$373,192 for LFO Reimbursement. The City has not requested or received any reimbursements as of December 31, 2022.

At this time, the City does not have the information necessary to make an estimate of the extent of liability.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Biennium Ended December 31, 2022

	Original 2021-2022 Biennial Budget	Final 2021-2022 Biennial Budget	2021 Actual	2022 Actual	Total Biennial Actual	Variance With Final Budget
Revenues						
Taxes	73,395,627	82,826,917	41,202,647	43,741,928	84,944,575	2,117,658
Licenses and permits	6,272,435	6,272,435	2,947,279	2,959,548	5,906,827	(365,608)
Intergovernmental	3,249,480	3,449,480	7,339,135	6,431,353	13,770,488	10,321,008
Charges for services	9,367,362	10,415,399	4,332,823	4,436,978	8,769,801	(1,645,598)
Fines and forfeitures	863,940	863,940	482,821	316,590	799,411	(64,529)
Investment interest	479,026	479,026	(97,317)	(492,152)	(589,469)	(1,068,495)
Rents and leases	217,555	217,555	134,796	231,263	366,059	148,504
Miscellaneous	144,695	640,914	191,133	257,773	448,906	(192,008)
Total Revenues	93,990,120	105,165,666	56,533,317	57,883,281	114,416,598	9,250,932
Expenditures						
Current:						
Judicial	3,028,823	3,043,460	1,485,749	1,564,663	3,050,412	(6,952)
General government	10,124,693	10,295,308	4,853,038	5,830,815	10,683,853	(388,545)
Public safety	52,143,432	54,488,951	27,029,227	29,020,324	56,049,551	(1,560,600)
Physical environment	5,187,247	7,003,481	641,568	615,703	1,257,271	5,746,210
Transportation	8,764,982	9,192,029	5,572,185	6,107,555	11,679,740	(2,487,711)
Health & human services	153,200	794,203	419,018	321,013	740,031	54,172
Economic environment	4,907,812	5,592,481	2,519,107	2,525,746	5,044,853	547,628
Culture & recreation	5,743,258	6,217,520	2,868,631	3,243,140	6,111,771	105,749
Capital Outlay:			-			
General government	-	-	590,274	1,521,899	2,112,173	(2,112,173)
Public safety	-	-	-	19,379	19,379	(19,379)
Culture & recreation	-	-	15,775	-	15,775	(15,775)
Debt Service:						
Principal	-	-	-	42,281	42,281	(42,281)
Interest and fiscal charges	-	-	-	3,820	3,820	(3,820)
Total Expenditures	90,053,447	96,627,433	45,994,572	50,816,338	96,810,910	(183,477)
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,936,673	8,538,233	10,538,745	7,066,943	17,605,688	9,067,455
Other Financing Uses						
Proceeds from sale of capital assets	-	-	1,175,000	1,175,000	2,350,000	2,350,000
Insurance recoveries	-	-	41,207	17,434	58,641	58,641
Leases (lessee)	-	-	-	80,554	80,554	80,554
Transfers in	4,728,106	4,728,106	1,066,944	2,528,787	3,595,731	(1,132,375)
Transfers out	(21,715,688)	(33,955,188)	(11,644,987)	(18,169,618)	(29,814,605)	4,140,583
Total other financing uses	(16,987,582)	(29,227,082)	(9,361,836)	(14,367,843)	(23,729,679)	5,497,403
Net Change in Fund Balances	(13,050,909)	(20,688,849)	1,176,909	(7,300,900)	(6,123,991)	14,564,858
Fund Balances Beginning of Year	23,274,704	28,372,285	27,554,118	28,731,027	27,554,118	(818,167)
Prior Period Adjustment	-	-	-	3,131,888	3,131,888	3,131,888
Fund Balances End of Year	10,223,795	7,683,436	28,731,027	24,562,015	24,562,015	16,878,579

The city's budget is adopted on a GAAP basis.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees' Retirement System - Plan 1

As of June 30, 2022

Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.129963%	0.129243%	0.127933%	0.126504%	0.138175%	0.129246%	0.130211%	0.134578%
Employer's proportionate share of the net pension liability (asset)	\$ 6,798,274	\$ 6,940,958	\$ 6,070,521	\$ 5,649,712	\$ 5,313,319	\$ 4,563,082	\$ 1,590,181	\$ 3,747,145
Covered payroll	\$14,122,963	\$15,267,909	\$ 15,818,704	\$16,536,432	\$19,025,986	\$19,400,482	\$ 19,959,916	\$ 21,957,928
Employer's proportionate share of the net pension liability as a percentage of covered payroll	48.14%	45.46%	38.38%	34.17%	27.93%	23.52%	7.97%	17.07%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

Public Employees' Retirement System - Plan 2/3

As of June 30, 2022

Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.153107%	0.150858%	0.150640%	0.147999%	0.164246%	0.156557%	(0.156564%)	(0.163231%)
Employer's proportionate share of the net pension liability (asset)	\$ 5,470,600	\$ 7,595,581	\$ 5,234,020	\$ 2,526,951	\$ 1,595,387	\$ 2,002,275	\$ (15,596,294)	\$ (6,053,880)
Covered payroll	\$13,645,668	\$14,200,149	\$ 14,768,762	\$15,457,811	\$17,855,996	\$18,249,119	\$ 18,725,806	\$ 20,417,879
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	40.09%	53.49%	35.44%	16.35%	8.93%	10.97%	-83.29%	-29.65%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

Note to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Safety Employees' Retirement System - Plan 2
As of June 30, 2022
Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.306379%	0.247658%	0.228550%	(0.215048%)	(0.197848%)	(0.166369%)	(0.177195%)	(0.227146%)
Employer's proportionate share of the net pension liability (asset)	\$ 55,920	\$ 105,250	\$ 44,780	\$ (2,664)	\$ (25,728)	\$ (22,892)	\$ (407,086)	\$ (162,409)
Employer's covered payroll	\$ 888,526	\$ 803,986	\$ 809,195	\$ 844,430	\$ 912,697	\$ 1,021,273	\$ 1,201,164	\$ 1,540,049
Employer's proportionate share of the net pension liability as a percentage of covered payroll	6.29%	13.09%	5.53%	-0.32%	-2.82%	-2.24%	-33.89%	-10.55%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	96.26%	99.79%	101.85%	101.68%	123.67%	105.96%

Law Enforcement Officers' and Fire Fighters' Retirement-Plan 1
As of June 30, 2022
Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension (asset)	(0.015457%)	(0.015624%)	(0.015846%)	(0.016013%)	(0.015669%)	(0.015209%)	(0.015584%)	(0.016012%)
Employer's proportionate share of the net pension (asset)	\$ (186,291)	\$ (160,972)	\$ (240,419)	\$ (290,716)	\$ (309,715)	\$ (287,223)	\$ (533,840)	\$ (459,322)
State's proportionate share of the net pension asset associated with the employer	-	\$ (1,088,810)	\$ (1,626,186)	\$ (1,966,398)	\$ (2,094,906)	\$ (1,942,771)	\$ (3,610,878)	\$ (3,106,845)
TOTAL	\$ (186,291)	\$ (1,249,782)	\$ (1,866,605)	\$ (2,257,114)	\$ (2,404,621)	\$ (2,229,994)	\$ (4,144,718)	\$ (3,566,167)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%	169.62%

Note to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Law Enforcement Officers' and Fire Fighters' Retirement-Plan 2
As of June 30, 2022
Last 8 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension (asset)	(0.222857%)	(0.227940%)	(0.235422%)	(0.244296%)	(0.240505%)	(0.225716%)	(0.240518%)	(0.222006%)
Employer's proportionate share of the net pension (asset)	\$ (2,290,524)	\$ (1,325,767)	\$ (3,266,895)	\$ (4,959,741)	\$ (5,571,762)	\$ (4,604,277)	\$ (13,970,281)	\$ (6,033,453)
State's proportionate share of the net pension asset associated with the employer	\$ (1,514,498)	\$ (864,304)	\$ (2,119,173)	\$ (3,211,339)	\$ (3,648,758)	\$ (2,944,086)	\$ (9,012,356)	\$ (3,908,339)
TOTAL	\$ (3,805,022)	\$ (2,190,071)	\$ (5,386,068)	\$ (8,171,080)	\$ (9,220,520)	\$ (7,548,363)	\$ (22,982,637)	\$ (9,941,792)
Covered payroll	\$ 6,467,801	\$ 6,905,245	\$ 7,364,424	\$ 8,098,539	\$ 8,446,163	\$ 8,564,003	\$ 9,309,867	\$ 8,974,309
Employer's proportionate share of the net pension asset as a percentage of covered payroll	35.41%	19.20%	44.36%	61.24%	65.97%	53.76%	150.06%	67.23%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%

Note to Schedule:

The City currently does not have 10 years of pension data available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Public Employees' Retirement System - Plan 1
As of December 31, 2022
Last 8 Fiscal Years

	2015*	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$ 665,362	\$ 744,788	\$ 803,900	\$ 898,917	\$ 947,320	\$ 959,408	\$ 887,474	\$ 865,022
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (665,362)</u>	<u>\$ (744,788)</u>	<u>\$ (803,900)</u>	<u>\$ (898,917)</u>	<u>\$ (947,320)</u>	<u>\$ (959,408)</u>	<u>\$ (887,474)</u>	<u>\$ (865,022)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,082,608	\$ 15,418,859	\$ 16,211,486	\$ 17,859,775	\$ 18,613,660	\$ 19,891,189	\$ 20,546,529	\$ 23,061,709
Contributions as a percentage of covered payroll	4.41%	4.83%	4.96%	5.03%	5.09%	4.82%	4.32%	3.75%

Public Employees' Retirement System - Plan 2/3
As of December 31, 2022
Last 8 Fiscal Years

	2015*	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$ 817,579	\$ 877,097	\$ 1,030,587	\$ 1,222,074	\$ 1,370,023	\$ 1,478,169	\$ 1,383,355	\$ 1,346,172
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (817,579)</u>	<u>\$ (877,097)</u>	<u>\$ (1,030,587)</u>	<u>\$ (1,222,074)</u>	<u>\$ (1,370,023)</u>	<u>\$ (1,478,169)</u>	<u>\$ (1,383,355)</u>	<u>\$ (1,346,172)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,116,258	\$ 14,394,571	\$ 15,148,685	\$ 16,758,726	\$ 17,490,694	\$ 18,661,638	\$ 19,266,198	\$ 21,170,554
Contributions as a percentage of covered payroll	5.79%	6.09%	6.80%	7.29%	7.83%	7.92%	7.18%	6.36%

Notes to Schedule:

The City currently does not have 10 years of pension data available

*In the 2015 RSI, the statutorily required contributions were not distributed correctly between PERS1, PERS2/3, and PSERS.
The 2015 numbers above reflect the revised distribution

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Public Safety Employees' Retirement System - Plan 2
As of December 31, 2022
Last 8 Fiscal Years

	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily or contractually required contributions	\$ 55,473	\$ 53,412	\$ 55,562	\$ 58,825	\$ 65,578	\$ 82,717	\$ 87,864	\$ 123,558
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (55,473)</u>	<u>\$ (53,412)</u>	<u>\$ (55,562)</u>	<u>\$ (58,825)</u>	<u>\$ (65,578)</u>	<u>\$ (82,717)</u>	<u>\$ (87,864)</u>	<u>\$ (123,558)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 838,497	\$ 788,947	\$ 833,865	\$ 829,259	\$ 918,893	\$ 1,154,439	\$ 1,280,331	\$ 1,891,155
Contributions as a percentage of covered payroll	6.62%	6.77%	6.66%	7.09%	7.14%	7.17%	6.86%	6.53%

Law Enforcement Officers & Fire Fighters' Retirement System - Plan 2
As of December 31, 2022
Last 8 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily or contractually required contributions	\$ 350,634	\$ 373,246	\$ 396,548	\$ 435,467	\$ 432,288	\$ 459,350	\$ 460,176	\$ 472,454
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (350,634)</u>	<u>\$ (373,246)</u>	<u>\$ (396,548)</u>	<u>\$ (435,467)</u>	<u>\$ (432,288)</u>	<u>\$ (459,350)</u>	<u>\$ (460,176)</u>	<u>\$ (472,454)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,721,887	\$ 7,136,631	\$ 7,696,906	\$ 8,294,618	\$ 8,315,309	\$ 8,942,844	\$ 8,958,329	\$ 9,228,279
Contributions as a percentage of covered payroll	5.22%	5.23%	5.15%	5.25%	5.20%	5.14%	5.14%	5.12%

Notes to Schedule:

The City currently does not have 10 years of pension data available

**In the 2015 RSI, the statutorily required contributions were not distributed correctly between PERS1, PERS2/3, and PSERS.
The 2015 numbers above reflect the revised distribution*

City of Marysville
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended December 31, 2022
Last 5 Fiscal Years*

	2018	2019	2020	2021	2022
Total OPEB liability - beginning	\$ 3,579,606	\$ 3,466,170	\$ 3,646,105	\$ 3,864,599	\$ 4,008,111
Service cost	-	-	-	-	-
Interest	125,984	132,016	125,054	83,850	84,870
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(117,331)	158,802	240,987	201,392	(474,076)
Changes of assumptions	-	-	-	-	-
Benefit payments	(122,089)	(110,883)	(147,547)	(141,730)	(158,700)
Other changes	-	-	-	-	-
Total OPEB liability - ending	<u>3,466,170</u>	<u>3,646,105</u>	<u>3,864,599</u>	<u>4,008,111</u>	<u>3,460,205</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

City of Marysville
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)		Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster									
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	6,167	6,167	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	-	-	189,456	189,456	189,456		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	340,743	340,743	195,084		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	206,340	206,340	206,340		
Total CDBG - Entitlement Grants Cluster:				-	742,706	742,706	590,880		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-158	37,452	-	37,452	37,452		
Highway Planning and Construction Cluster									

The accompanying notes are an integral part of this schedule.

City of Marysville
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-7890	216,658	-	216,658	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-9613	39,011	-	39,011	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-9542	28,776	-	28,776	-	
Total Highway Planning and Construction Cluster:				284,445	-	284,445	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2022-HVE-4451	1,325	-	1,325	-	
Total Highway Safety Cluster:				1,325	-	1,325	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Coronavirus Relief Fund	21.019		-	13,766	13,766	-	3

The accompanying notes are an integral part of this schedule.

City of Marysville
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State - Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-2018	37,070	-	37,070	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State - Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-254	2,184	-	2,184	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State - Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-198	37,465	-	37,465	-	
Total ALN 97.042:				39,649	-	39,649	-	
Total Federal Awards Expended:				399,941	756,472	1,156,413	628,332	

The accompanying notes are an integral part of this schedule.

City of Marysville, Washington

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. WA Court CARES/ARPA funds include \$13,766 that were underreported in 2021.



MARYSVILLE

FINANCE

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Marysville

January 1, 2022 through December 31, 2022

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

Finding ref number: 2022-001	Finding caption: The City's internal controls over accrual and year-end entries for the preparation of the financial statements were not sufficient to ensure accurate and complete financial reporting
Name, address, and telephone of City contact person: Jennifer Ferrer-Santa Ines Finance Director City of Marysville 501 Delta Avenue Marysville, WA 98270 360.363.8017	
Corrective action the auditee plans to take in response to the finding: <i>The City's finance department had a number of staff transitions including the retirement of the Finance Director who served the City of Marysville for 20 years. The City's current finance team members are new in their roles and have not previously prepared an Annual Comprehensive Financial Report (ACFR).</i> <i>Management will ensure Staff receive appropriate and timely training, including ongoing trainings to keep up with the new pronouncements and updates to financial reporting. In addition, staff will also review, enhance and improve its existing procedures to strengthen its internal controls over accounting and financial reporting.</i>	
Anticipated date to complete the corrective action: Staff will begin this corrective action upon completion of the 2022 Audit and anticipates completion of training on or before September 2024	

Finding ref number: 2022-002	Finding caption: The City did not have adequate internal controls for ensuring compliance with federal reporting requirements.
Name, address, and telephone of City contact person: Jennifer Ferrer-Santa Ines Finance Director City of Marysville 501 Delta Avenue Marysville, WA 98270 360.363.8017	
Corrective action the auditee plans to take in response to the finding: (If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence). <i>The City's CDBG Grant Manager has developed procedures to ensure all requirements in reporting Federal Funds, including FFATA are met by the City. This also includes review notification and requirements each year for any updates or changes to previously provided guidance.</i> <i>Management will ensure all internal controls are followed including the timely remittance of all reports. Procedures will be developed to provide training to new staff members.</i> <i>In addition, all delinquent reports are being completed by the CDBG Grant Manager and those will be filed no later than 12/31/2023.</i>	
Anticipated date to complete the corrective action: Staff has already begun taking corrective action by setting up an account in the reporting software and completing the delinquent reports. Procedures are being documented on the process and those procedures will be completed by 12/31/2023.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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