Financial Statements Audit Report

Lynnwood Public Facilities District

(The District)

For the period January 1, 2023 through December 31, 2023

Published September 19, 2024

Report No. 1035542

Office of the Washington State Auditor
Pat McCarthy

September 19, 2024

Board of Directors
The District
Lynnwood, Washington

Report on Financial Statements

Please find attached our report on The District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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The District
January 1, 2023 through December 31, 2023

Board of Directors
The District
Lynnwood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

The District
January 1, 2023 through December 31, 2023

Board of Directors
The District
Lynnwood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of The District, a component unit of the City of Lynnwood, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 16 to the financial statements, in 2023, the District adopted the following new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)* and Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor
Olympia, WA
September 10, 2024

FINANCIAL SECTION

The District
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

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

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

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

As management of the District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. We also encourage readers to supplement this report with information contained in the City of Lynnwood's Annual Financial Report.

This discussion and analysis of the Lynnwood Public Facilities District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. Please review it in conjunction with the District's financial statements. These discussions will focus on current year data. Three primary financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.

FINANCIAL HIGHLIGHTS

- The District's overall financial position increased by $252,117 or 2.6%.
- The District's total assets and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2023 by approximately $9.8 million.
- The District's operating loss after depreciation of $701,528 was $3,966,345.
- The District added $361,514 of capital assets in 2023, including right-to-use software, CRM upgrade, server room upgrade, projector and screens upgrade, and furniture upgrade.
- The Lynnwood Event Center required a lower subsidy in 2023 compared to 2022 due to a change in methodology around transfer requirements. The Event Center receives a subsidy if they have a bank balance below $300,000. The Lynnwood Event Center's net operating loss for 2023 was $1,411,710 compared to a net loss of $761,159 in 2022.
- Revenue from leased retail space (Convention Plaza) decreased by $182,280 from 2023 to 2022.
- Snohomish County Hotel/Motel tax increased 27.5% or $196,640 from 2022 to 2023; and total tax revenue increased by 8.8% ($343,320). Tax revenues include distributions from Snohomish County and City of Lynnwood, which are guaranteed by contract.

FINANCIAL ANALYSIS - REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Summary of Revenues, Expenses and Changes in Net Position				
	2023	**2022**	**Increase (Decrease)**	**Change**
Operating Revenues	3,806,432	3,713,643	92,789	2.5%
Non-Operating Revenues	4,806,073	4,722,729	83,344	1.8%
Total Revenues	8,612,505	8,436,372	176,133	2.1%
Operating Expenses	7,772,777	6,047,524	1,725,253	28.5%
Non-Operating Expenses	587,611	624,770	(37,159)	-5.9%
Total Expenses	8,360,388	6,672,294	1,688,094	25.3%
Increase (Decrease) in Net Position	**252,117**	**1,764,078**	**(1,511,961)**	**-85.7%**

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

Operating revenues increased by $92,789 (or 2.5%), primarily due to recovery from the impact of COVID-19 on the Lynnwood Event Center's operations. This increase in revenue was offset by an increase of $1,725,253 (28.5%) in operating expenses (excluding depreciation), which reflects higher operating costs of the Lynnwood Event Center and investment in master planning.

Non-operating revenue increased by $83,344 (or 1.8%) primarily due to a significant increase in tax revenue. Non-operating expenses of $587,611 are due to the payment of the scheduled interest expense and environmental remediation costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS

The District has presented its financial statements under the reporting model as required by the Governmental Accounting Standard Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments. The District's overall financial position increased by $252,117 or 2.6%. This increase reflects 2023 net income of $252,117 over an adjusted (re-stated) beginning net position of $9,558,717.

Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the District's financial position. The District's net position at December 31, 2023 totaled approximately $9.8 million. Following is a condensed version of the Statement of Net Position.

Condensed Statement of Net Position

	2023	2022	Increase (Decrease)	Change
Assets				
Current and other assets	10,560,293	11,889,668	(1,329,375)	-11.2%
Non-current assets	22,047,901	21,519,515	528,386	2.5%
Total Assets	**32,608,194**	**33,409,183**	**(800,989)**	**-2.4%**
Deferred Outflows	**105,654**	**112,889**	**(7,235)**	**-6.4%**
Liabilities				
Current and other liabilities	3,560,398	3,163,848	396,551	12.5%
Long-term obligation	17,052,274	19,559,322	(2,507,048)	-12.8%
Total Liabilities	**20,612,672**	**22,723,169**	**(2,110,497)**	**-9.3%**
Deferred Inflows	**2,290,342**	**1,548,211**	**742,131**	**47.9%**
Net Position				
Net investment in capital assets	6,507,239	4,739,355	1,767,884	37.3%
Restricted	1,120,074	1,076,994	43,080	4.0%
Unrestricted	2,183,521	3,434,343	(1,250,822)	-36.4%
Total Net Position	**9,810,834**	**9,250,692**	**560,142**	**6.1%**

Change in Net Position

The change in net position table illustrates the increase or decrease in net position of the District resulting from its current year operating activities. In 2023, the District's net position increased by $252,117.

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

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position				
	2023	2022	Increase (Decrease)	Change
Revenues				
Operating revenues				
Rental income and other operating income	3,806,432	3,713,643	92,789	2.5%
Non-operating revenues				
Intergovernmental revenue	4,295,961	4,573,535	(277,574)	-6.1%
Interest revenue	510,112	146,194	363,918	248.9%
Miscellaneous	-	3,000	(3,000)	-100.0%
Total Revenues	**8,612,505**	**8,436,372**	**176,133**	**2.1%**
Expenses				
Operating Expenses				
Supplies and contractual services	7,071,249	5,345,625	1,725,624	32.3%
Depreciation	701,528	701,899	(371)	-0.1%
Non-operating expenses				
Environmental Remediation	58,458	25,572	32,886	128.6%
Interest expense	529,153	599,198	(70,045)	-11.7%
Total Expenses	**8,360,388**	**6,672,294**	**1,688,094**	**25.3%**
Increase (Decrease) in Net Position	**252,117**	**1,764,078**	**(1,511,961)**	**-85.7%**
Net Position Beginning *	9,558,717	7,486,614	2,072,103	27.7%
Net Position Ending	**9,810,834**	**9,250,692**	**560,139**	**6.1%**

*2023 Beginning Net Position Restated - see Note 16

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District owned land, buildings and capital projects valued at $20.2 million. For additional information refer to Note 5.

Debt

The original amount of Long-Term Debt (2005) included $1.93 million Series A Sales Tax Bonds (taxable), $10 million Series B (tax-exempt) Sales Tax Bonds and $17.265 million Revenue Bonds (also tax exempt). The Series A Sales Tax Bonds were paid off in 2014. In 2015, the District refinanced the Series B Sales Tax Bonds and Revenue Bonds. A summary of the debt balance at December 31, 2023 follows:

	12/31/2023
General Obligation Bonds	2,159,700
Revenue Bonds	10,795,000
Premium on Revenue Bonds	586,939
Total Bonds Payable	13,541,639

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

ECONOMIC OUTLOOK

2023 saw the Lynnwood Event Center (LEC) coalesce under the new contracted operator Oak View Group (OVG). The goal of booking events that best lend themselves to economic impact is gaining traction. Sales have continued to increase after the Covid 19 pandemic, however the LEC is still operating at a loss, largely due to increased staffing costs. However, we have expanded our sales staff and hope to reduce the deficit by half in 2024. We are expanding our oversight of LEC financial controls to ensure investments are being made to get the LEC back to at least the minimal profit margins that were the norm before the pandemic. We continue to expand with investments in new revenue opportunities that include sponsorships, addition of grab and go food and beverage options and the hosting of events for more public benefits on the property. The LEC still has some capital improvements that need to be addressed after being deferred during the pandemic including investments in HVAC and kitchen equipment that are at the end of their life cycle.

We have added additional tenants at the Convention Plaza, which has helped offset the loss of one of our major tenants, Chuck E Cheese last year. Maintenance of these 1960's era buildings continues to increase costs and we are watching closely.

The master plan work for the property made significant progress in 2023. This did require significant increases in costs for consultants, architects, and their subcontractors for predevelopment work. We don't anticipate receiving our bond funding until construction in early 2026 and are reviewing opportunities to receive bridge financing so we don't impact our unrestricted cash assets. Ultimately our financing will repay the District for our predevelopment costs.

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

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

The following table compares 2023 and 2022 non-operating PFD hotel/motel and sales tax revenues.

Governmental Tax Revenue			
	2023	**2022**	**% Change**
Lynnwood Sales Tax	1,288,164	1,260,811	2.2%
Lynnwood Hotel Tax[1]	574,836	558,088	3.0%
Snohomish County Sales Tax[1]	962,123	923,146	4.2%
Snohomish County Sales Tax 2nd Tier	487,004	423,402	15.0%
Snohomish County Hotel Tax[1]	911,508	714,868	27.5%
Total	**4,223,635**	**3,880,315**	**8.8%**

[1] Amount guaranteed by contract

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

Governmental Tax Revenue			
	2023 Actual	**2023 Budget**	**% Variance**
Lynnwood Sales Tax	1,288,164	1,260,000	2.2%
Lynnwood Hotel Tax[1]	574,836	574,831	0.0%
Snohomish County Sales Tax[1]	962,123	962,123	0.0%
Snohomish County Sales Tax 2nd Tier	487,004	440,024	9.6%
Snohomish County Hotel Tax[1]	911,508	714,868	21.6%
Total	**4,223,635**	**3,951,846**	**6.4%**

[1] Amount guaranteed by contract

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

CONTACTING THE LYNNWOOD PFD

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

LYNNWOOD PUBLIC FACILITIES DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 6,776,681
Investments	1,580,508
Restricted Cash & Cash Equivalents	1,049,257
Receivables, net	421,342
Lease Receivable - current	555,184
Prepaid Expenses	161,005
Inventory	16,316
TOTAL CURRENT ASSETS	10,560,293
Noncurrent Assets:	
Lease Receivable - non-current	1,317,131
PPP Receivable - non-current	429,722
Capital Assets not Being Depreciated:	
Land	6,788,800
Capital Assets, net of accumulated depreciation:	
Buildings	12,338,824
Capital Improvements	160,833
Furniture & Equipment	20,848
Software	146,190
Repair, Replace, Rehab Assets - Event Center	735,216
Net Pension Asset	110,337
TOTAL NONCURRENT ASSETS	22,047,901
TOTAL ASSETS	32,608,194
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	17,434
Deferred Outflows Related to Pensions	88,220
TOTAL OUTFLOWS OF RESOURCES	105,654
LIABILITIES	
Current Liabilities:	
Accounts Payable	166,951
Accrued Expenses	282,432
Advance Deposits - LCC	621,742
Current Portion of Compensated Absences	15,742
Current Portion of Leases Payable	3,770
Current Portion of SBITA Payable	28,203
Current Portion of Long-Term Obligations	2,441,558
TOTAL CURRENT LIABILITIES	3,560,398
Noncurrent Liabilities:	
Compensated Absences	15,742
Leases Payable	10,033
SBITA Payable	105,711
Series B Sales Tax Bonds (Non-Taxable)	971,500
Revenue Bonds and Premium	10,128,581
Environmental Remediation	5,619,992
Security Deposits	49,257
Net Pension Liability	47,595
Total OPEB Liability	103,863
TOTAL NON-CURRENT LIABILITIES	17,052,274
TOTAL LIABILITIES	20,612,672
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Refunding	11,550
Deferred Inflows Related to Leases	1,802,208
Deferred Inflows Related to PPP	399,028
Deferred Inflows Related to Pensions	77,556
TOTAL INFLOWS OF RESOURCES	2,290,342
NET POSITION	
Net Investment in Capital Assets	6,507,239
Restricted for Pensions	120,074
Restricted for Debt Service - Contingent Loan Agreement	1,000,000
Unrestricted	2,183,521
TOTAL NET POSITION	9,810,834

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

LYNNWOOD PUBLIC FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES	
Revenue - Convention Plaza	940,452
Revenue - Lynnwood Event Center	2,823,807
Other Operating - PFD	42,173
TOTAL OPERATING REVENUES	3,806,432
OPERATING EXPENSES	
Costs of Sales and Services - Convention Plaza	528,231
Administration and General	2,307,501
Lynnwood Event Center Operations	4,235,517
Depreciation and Amortization	701,528
TOTAL OPERATING EXPENSES	7,772,777
OPERATING INCOME (LOSS)	(3,966,345)
NON-OPERATING REVENUES (EXPENSES)	
PFD Sales Tax	1,288,164
City Of Lynnwood Hotel/Motel Tax	574,836
Snohomish County Hotel/Motel Tax	911,508
Snohomish County Sales Tax	962,123
Snohomish County Second Tier Sales Tax	487,004
Department of Ecology Grant	72,326
Interest Income	510,112
Environmental Remediation	(58,458)
Interest Expense/Financing Costs	(529,153)
TOTAL NON-OPERATING REVENUES	4,218,462
Net Income (Loss)	252,117
Total Net Position - Beginning	9,250,692
Prior Period Adjustment	308,025
Total Net Position - Ending	9,810,834

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

Lynnwood Public Facilities District
Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows from Operating Activities:		
Cash Receipts from Customers/Tenants		3,791,864
Cash Paid to Suppliers and Employees		(7,138,011)
Deposits Received from (Paid to) Customers/Tenants		588,659
Net Cash Provided (Used) by Operating Activities		(2,757,488)
Cash Flows from Non-Capital Financing Activities:		
Sales Tax		2,737,247
Hotel/Motel Tax		1,579,359
ARPA Pass-Through from Snohomish County		437,500
Net Cash Provided (Used) by Non-Capital Financing Activities		4,754,106
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets		(139,160)
Principal Payment on Sales Tax Bonds - Refunding		(1,148,500)
Principal Payment on Revenue Bonds - Refunding		(1,095,000)
Principal Paid on Leases & SBITA		(29,204)
Department of Ecology Grant		282,395
Environmental Remediation		(58,458)
Interest Paid on Debt		(586,701)
Net Cash Provided (Used) by Capital and Related Financing Activities		(2,774,628)
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments		976,000
Purchase of Investments		(506,000)
Proceeds from Interest and Investment Income		494,964
Net Cash Provided (Used) by Investing Activities		964,964
Increase (Decrease) in Cash and Cash Equivalents		186,954
Cash and Cash Equivalents, January 1, 2023		7,638,984
Cash and Cash Equivalents, December 31, 2023		7,825,938
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)		(3,966,345)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		701,528
Change in Assets & Liabilities:		
(Increase) Decrease in Accounts Receivable		59,909
(Increase) Decrease in Lease Receivables and Related Inflows		(43,783)
(Increase) Decrease in PPP Receivables and Related Inflows		(30,694)
(Increase) Decrease in Prepaid Assets		(79,640)
(Increase) Decrease in Inventory		(3,347)
Increase (Decrease) in Accounts Payable		(6,679)
Increase (Decrease) in Accrued Expenses		80,631
Increase (Decrease) in Advanced Deposits		585,659
Increase (Decrease) in Compensated Absences		4,571
Increase (Decrease) in Security Deposits		3,000
Increase (Decrease) in Pension Asset/Liability, net of Deferred Inflows/Outflows		(53,006)
Increase (Decrease) in OPEB		(9,292)
Total Adjustments		1,208,857
Net Cash Provided (Used) by Operating Activities		(2,757,488)
Schedule of Non-Cash Activities		
Increase (Decrease) in Fair Market Value of Investments	$	15,148
Capital Assets Acquired Through Lease & SBITA Financing		(159,480)
Total Non-Cash Activities		(144,332)

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

JANUARY 1, 2023 THROUGH DECEMBER 31, 2023

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Organization and Purpose

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

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

B. Reporting Entity

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

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

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

D. Fund Accounting

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

E. Cash and Cash Equivalents

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

F. Deposits and Investments

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

G. Capital Assets

See Note 5.

H. Receivables

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

I. Inventories

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

K. Compensated Absences

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

L. Pensions

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

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

M. Deferred Outflows/Inflows of Resources

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

N. Leases & Other Right to Use Assets

<u>Lessee & SBITA</u>

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

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

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

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

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

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

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

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

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

NOTE 2 – COMPONENT UNIT INFORMATION

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

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2023 was $2,340,671, which is comprised of various bank balances.

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

B. Investments

<u>Investments in Local Government Investment Pool (LGIP)</u>
As of December 31, 2023, the District held the following investments in the LGIP:

Type of Investment	Maturities	District's Own Investments
Local Government Investment Pool	Less than one year	5,485,267
Total Investments at Amortized Cost		**5,485,267**

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

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

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

Investments Measured at Fair Value

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

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

As of December 31, 2023, the District had the following investments measured at fair value:

Investment Type	Maturity Date	Total	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Home Loan Bank	3/8/2024	338,579		338,579	
Federal Farm Credit Bank	6/10/2024	266,720		266,720	
Federal Home Loan Bank	9/13/2024	248,597		248,597	
Federal Home Loan Bank	12/20/2024	240,865		240,865	
FAMCA	4/11/2025	247,937		247,937	
FAMCA	11/20/2025	237,810		237,810	
Total Investments Measured at Fair Value		**1,580,508**	**-**	**1,580,508**	**-**

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

Custodial credit risk: Custodial credit risk is the risk that, in event of a failure of the counterparty to an investment transaction the district would not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Of the District's total position of $1,580,508 in investments, nothing is exposed to custodial credit risk because the investments are held by the District's brokerage firm, which is also the counterparty in those securities.

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

NOTE 4 – DISCLOSURE OF OPERATING INFORMATION

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

	PFD	Convention Plaza	Event Center
Operating Revenues	$ 42,173	$ 940,452	$ 2,823,807
Operating Expenses	$ (2,307,501)	$ (528,231)	$ (4,235,517)
Totals	**$ (2,265,328)**	**$ 412,221**	**$ (1,411,710)**

NOTE 5 - CAPITAL ASSETS

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

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

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

A summary of changes in capital assets is as follows:

Business-Type Activities:	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital assets, not being depreciated:				
Land	6,788,800	-	-	6,788,800
Construction in Progress	62,875	-	62,875	-
Total Capital Assets, not being depreciated	**6,851,675**	**-**	**62,875**	**6,788,800**
Capital assets, being depreciated:				
Building	21,197,282	-	-	21,197,282
Tenant and Leasehold Improvements	683,947	-	-	683,947
Other Improvements	80,895	-	-	80,895
Capital Improvements-LCC	827,907	-	-	827,907
Furniture & Fixtures	12,000	-	-	12,000
Leased Equipment	19,212	-		19,212
Right-to-Use Software	-	159,480	-	159,480
RRR-LCC	1,705,655	202,034	-	1,907,689
Total Capital Assets, being depreciated	**24,526,898**	**361,514**	**-**	**24,888,412**
Less accumulated depreciation for:				
Building Depreciation	8,366,648	491,810	-	8,858,458
Tenant and Leasehold Improvements Depreciation	640,401	12,209	-	652,610
Other Improvements Depreciation	45,963	6,740	-	52,703
Capital Improvements-LCC Depreciation	669,976	56,627	-	726,603
Furniture & Fixtures Depreciation	2,200	2,401	-	4,601
Leased Equipment Depreciation	1,921	3,842	-	5,763
Right-to-Use Software Depreciation	-	13,290	-	13,290
RRR-LCC Depreciation	1,057,864	114,609	-	1,172,473
Total accumulated depreciation	**10,784,973**	**701,528**	**-**	**11,486,501**
Total Capital Assets, being depreciated, net	**13,741,925**	**(340,014)**	**-**	**13,401,911**
Business-type activities capital assets, net	**20,593,600**	**(340,014)**	**62,875**	**20,190,711**

NOTE 6 - RESTRICTED ASSETS

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

Restricted Assets	
Security Deposits	49,257
Contingency Reserve	1,000,000
Total	**1,049,257**

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

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

NOTE 7 – LEASES

Lessee

The District leases copiers under a 60-month noncancelable lease ending in 2027. The District paid $1,771 in principal and $329 in interest in 2023.

Leased assets for the year ended December 31, 2023, are summarized as follows:

Description	Beginning	Increases	Decreases	Ending
Copiers	19,212	-	-	19,212
Accumulated depreciation	(1,921)	(3,842)	-	(5,763)
Total	$ 17,291	$ (3,842)	$ -	$ 13,449

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	3,770	430	4,200
2025	3,906	294	4,200
2026	4,048	152	4,200
2027	2,079	22	2,101
Total	$ 13,803	$ 898	$ 14,701

Lessor

The District is the lessor in real property leases, under non-cancelable agreements of varying lengths and termination dates. In 2023, the District received $605,329 in principal and $72,070 in interest on these leases.

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

Year	Principal	Interest	Total
2024	555,184	55,333	610,517
2025	536,690	38,475	575,166
2026	388,345	23,168	411,513
2027	248,175	9,732	257,907
2028	71,388	4,629	76,017
2029-2030	72,533	2,175	74,708
Total	$ 1,872,315	$ 133,512	$ 2,005,827

NOTE 8 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The District has one SBITA, under a five-year noncancelable agreement which ends in 2028. The District paid $25,566 in principal and $6,459 in interest in 2023.

SBITA assets for the year ended December 31, 2023, are summarized as follows:

Description	Beginning	Increases	Decreases	Ending
SBITA asset	-	159,480	-	159,480
Accumulated depreciation	-	(13,290)	-	(13,290)
Total	$ -	$ 146,190	$ -	$ 146,190

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	28,203	5,424	33,627
2025	31,362	4,281	35,643
2026	35,128	3,011	38,139
2027	39,221	1,588	40,809
Total	$ 133,914	$ 14,304	$ 148,218

NOTE 9 - LONG TERM DEBT

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

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

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

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

Restricted assets contain $1,000,000 in reserves as required by bond indentures. In 2023, the District did not draw on these funds as pursuant to the Contingent Loan Agreement.

The table below summarizes the District's long-term debt to maturity for the year ended December 31, 2023.

Description	Original Amount Issued	Date of Original Issue	Date of Final Maturity	Interest Rates	Amount of Installments	Balance 12/31/2023
Convention Center Sales Tax Refunding Bonds	9,877,100	6/15/2015	12/1/2025	2.48%	$12,047-$1,214,980	2,159,700
Convention Center Revenue Refunding Bonds	15,605,000	4/15/2015	12/1/2034	3%-5%	$19,594-$1,997,597	10,795,000
Total	**25,482,100**					**12,954,700**

Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

Business-Type Activities	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Bonds payable					
General Obligation Bonds (Private Placement)	3,308,200	-	1,148,500	2,159,700	1,188,200
Revenue Bonds	11,890,000	-	1,095,000	10,795,000	1,200,000
Premium on Revenue Bonds	640,297	-	53,358	586,939	53,358
Total Bonds Payable	**15,838,497**	**-**	**2,296,858**	**13,541,639**	**2,441,558**
Compensated absences	26,913	4,571	-	31,484	15,742
Leases	17,441	-	3,638	13,803	3,770
SBITA	-	159,480	25,566	133,914	28,203
Environmental Remediation	5,619,992		-	5,619,992	-
Net Pension Liability	54,239	-	6,644	47,595	-
OPEB Liabilities	113,155	-	9,292	103,863	-
Business-type Activities Long Term Liabilities	**21,670,237**	**164,051**	**2,341,998**	**19,492,290**	**2,489,273**

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

Business-Type Activities					
Year Ending	**Revenue Bonds**		**GO Bonds (Private Placement)**		
December 31,	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2024	1,200,000	457,944	1,188,200	53,561	2,899,704
2025	1,185,000	414,444	971,500	24,093	2,595,037
2026	1,820,000	355,194	-	-	2,175,194
2027	605,000	269,831	-	-	874,831
2028	665,000	242,675	-	-	907,675
2029 - 2033	4,275,000	720,500	-	-	4,995,500
2033 - 2034	1,045,000	39,188	-	-	1,084,188
Total	**$ 10,795,000**	**$ 2,499,775**	**$ 2,159,700**	**$ 77,654**	**$ 15,532,130**

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

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

State statutes limit the amount of general obligation debt the District can issue to a percentage of the total assessed value of the taxable property within the District. The District is allowed up to 1/2 of one percent of the total assessed value without voter approval. The District has $2,159,700 of general obligation debt which is .02 percent of the total assessed value.

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

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

NOTE 10 – MAJOR AGREEMENTS

A. Facilities Management – Public Private Partnership

Oakview Facilities Group (OVG) operates the Lynnwood Convention Center under a 5-year agreement which expires in 2026. This agreement contains two 5-year extension options. Under the terms of this agreement, OVG provided to the District an initial investment of $250,000 in 2022 and will provide another $250,000 in 2027 and again in 2032. As of December 31, 2023, the District reports a non-current receivable balance of $429,722, using a discount rate of 1.81%. A related deferred inflow balance of $399,028 is reported. The deferred inflow balance is amortized on the straight-line basis in the amount of $30,694 per year.

B. Master Plan Redevelopment/Property Management/Asset Management

In 2023 the District renewed our umbrella contract with JLL that includes convention center asset management support, property management, retail leasing, and master plan development for finance, design, entitlements, and more. We are contracted with the architect firm Freiheit and several subcontractors for the redevelopment such as traffic and sound testing are supported under that agreement.

We have also contracted with the law firm Van Ness Feldman for land use and advocacy work for the project including completing a development agreement with the City of Lynnwood. Procurement and hiring has occurred for smaller elements of the master plan including communications and bond counsel. In 2023 we will be contracting for municipal advisory, polling, signage/sponsorship, and releasing a new request for proposal for our architect to design the event center portion of the project as our previous agreement ended after 10 years.

C. Interlocal Agreements

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

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

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

- The CRF shall be initially funded in the amount of not less than $700,000, from District revenues other than proceeds of the Long-Term Obligations.
- The amount in the CRF shall be increased by not less than $100,000 per year until the balance in that fund is $1,000,000, from funds available after the District's Operation and Maintenance Expenses and debt service on the Long-Term Obligations.

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

Section 4.3.

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

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

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

- The 3R Plan shall be funded after applying available revenue to Operation and Maintenance Expenses and to debt service.
- The District shall make periodic deposits in special fund or account dedicated to carrying out the elements of the 3R plan.
- After funding the 3R Plan, funds may be used for:
  - Additional costs of advertising, marketing and business promotion;
  - Additional improvements and upgrades of the Convention Center;
  - Retirement or defeasance of the Long-Term Obligations; and,
  - Other purposes consistent with the Four Party Agreement and state law.

NOTE 11 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(47,595)
Pension assets	110,337
Deferred outflows of resources	88,220
Deferred inflows of resources	(77,556)
Pension expense/expenditures	(13,611)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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

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

Contributions
The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September - December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**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 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2023		
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%**
July – August 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**9.39%**	**6.36%**
September – December 2023		

PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	**9.53%**	**6.36%**

The District's actual PERS plan contributions were $13,868 to PERS Plan 1 and $25,526 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 (e.g. active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021, Actuarial Valuation Report (AVR).

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$66,494	$47,595	$31,101
PERS 2/3	$120,004	($110,337)	($299,576)

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, 2023, the District reported its proportionate share of the net pension liabilities (assets) as follows:

	Liability (or Asset)
PERS 1	$47,595
PERS 2/3	($110,337)

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

	Proportionate Share 6/30/23	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.002085%	.001948%	.000137%
PERS 2/3	.002692%	.002541%	.000151%

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

Pension Expense
For the year ended December 31, 2023, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$3,943
PERS 2/3	($17,554)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$5,369
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$6,295	
TOTAL	$6,295	$5,369

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$22,475	$1,233
Net difference between projected and actual investment earnings on pension plan investments		$41,581
Changes of assumptions	$46,323	$10,097
Changes in proportion and differences between contributions and proportionate share of contributions	$110	$19,276
Contributions subsequent to the measurement date	$13,016	
TOTAL	$81,925	$72,187

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2024	(3,653)	(23,970)
2025	(4,594)	(28,269)
2026	2,832	30,305
2027	45	8,784
2028	-	10,033
Thereafter	-	(161)
Total (DI) / DO	**(5,369)**	**(3,278)**

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYEMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2023:

Aggregate OPEB Amounts	
OPEB liabilities	$ 103,863
OPEB assets	$ -
OPEB expense	$ (7,207)

In addition to pension benefits as described in Note 11, the District, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

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

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

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

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

As of June 30, 2023 (measurement date), 3 active employees and zero retirees were covered by the plan.

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. During the year ended December 31, 2023 no amounts were paid for OPEB benefits.

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

The AAM is accomplished by utilizing the AMM Online Tool provided by the Washington State Office of the State Actuary (OSA). The OSA relied on its OPEB Actuarial Valuation for the State's June 30, 2023 Fiscal Year-End report for the purpose of developing the AMM Online Tool.

The total OPEB liability was determined using the following methodologies: actuarial valuation date was June 30, 2023 and the measurement date was June 30, 2023. The actuarial cost method was Entry Age. The amortization method used immediate recognition.

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

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 2.35% and the projected salary change was 3.25% plus service-based salary increases. Health care trend rates assumptions vary by medical plan. The initial rate ranges from approximately 2-16%, reaching an ultimate rate of approximately 3.8% in 2075. The post-retirement participation rate is 60.00% and the percentage with spouse coverage is 45.00%.

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

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

The discount rate used to measure the total OPEB liability was 3.54 percent at the beginning of the measurement year and 3.65 percent at the end of the measurement year.

Specific assumptions made by the Office of the State Actuary to develop the AMM Online Tool that vary from those described above are: 3/4 of members select a UMP plan and 1/4 select a Kaiser Permanente (KP) plan, UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan, the KP pre-Medicare costs and premiums are a 40/60 blend of KP Classic and KP WA Value, the KP post-Medicare costs and premiums are equal to KP WA Medicare. The estimated retirement service for each active cohort is based on the average entry age of 35. Assumption for retirement, disability, termination, and mortality are based on the 2023 PEBB OPEB Actuarial Valuation Report with the assumptions that all employees are retirement eligible at age 55, retirement rate is that for members with < 30 years of service, and 100% retirement rate after the age of 70. Each cohort is assumed to be a 50/50 male/female split and eligible spouses are the same age as the primary member. The age-based cohorts were based on the overall distribution of Washington State employees and retirees that participate in PEBB.

The following presents the total OPEB liability calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate.

	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 86,982	$ 103,863	$ 125,286

The following presents the total OPEB liability calculated using the discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (2.65%) or 1.0 percentage point higher (4.65%) than the current rate.

	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 122,681	$ 103,863	$ 88,681

Changes in the Total OPEB liability

	2023
Total OPEB Liability beginning	$ 113,155
Service Cost	$ 5,202
Interest	$ 4,153
Changes in Experience Data and Assumptions	$ (16,562)
Changes in Benefit Terms	$ -
Benefit Payments	$ (2,085)
Other	$ -
Total OPEB Liability at June 30, 2023	**$ 103,863**

There were no significant changes to benefit terms that affected measurement of the total OPEB liability since the prior measurement date. The change in prior year OPEB estimate shown above reflects the change in accounting estimate resulting from additional information about covered population made known in the current year. There were no benefit payments in the measurement period attributable to the purchase of allocated insurance contracts. The OPEB measurement date differs from the financial statement reporting date. There are no significant factors to disclose as a result. The total OPEB expense recognized for the year ended June 30, 2023, was ($7,207).

NOTE 13 – DEFERRED COMPENSATION PLAN (DCP)

The District offers its employees a deferred compensation plan. This plan is administered by the State of Washington Department of Retirement and consists of employee contributions except where the employee's contract requires a District contribution. Membership in DCP consisted of zero Active Plan Members as of December 31, 2023 and zero contributions were made during 2023.

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

NOTE 14 – INSURANCE POOL

Lynnwood Public Facilities District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense;

Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution and Cyber coverage is provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurence coverage form.

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Liability:				
General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability(2)	Per Occurrence Pool Aggregate	$500,000 $1 million	None	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay(3)

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

Property (2):				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery (3)	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) (4)	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit (5):				
Flood	Per Occurrence	$250,000	$50 million	$1,000 - $250,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
			(shared by Pool members)	
Earthquake	Per Occurrence	5% of indemnity, subject to a $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage[6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
(2) Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
(4) Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
(5) This sub-limit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)

(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Members may elect to "buy up" the level of coverage from $5,000 to $2 million.
(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.
(9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between $50,000 and $100,000 depending on the insured/member's property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.
(10) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a $25,000 limit per member.

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

NOTE 15 – POLLUTION REMEDIATION OBLIGATIONS

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

Remediation activities included in this cost estimate include the following future anticipated activities, per the Guidelines (GASB 49): supplemental site assessment, feasibility study, remediation design, cleanup, operation and maintenance of the remedy, and post remediation monitoring. GeoEngineers made reasonable and supportable assumptions in order to develop this cost estimate; the assumptions are based on their best professional judgment, experience, understanding and interpretation of site conditions, and information provided by the PFD. One of the key assumptions used in the pollution remediation cost estimates is that the existing building will be removed before supplemental site assessment and remediation activities are conducted and the working condition of the site surface during remediation will be either asphalt pavement or concrete slab on grade (e.g. existing building floor). The PFD's Project Management Team has prepared a cost estimate at current value for the removal of the building to be $3,069,992. The remediation cost estimate for future years is as follows (it is expected that no costs will be incurred prior to 2025):

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

On or about July 28, 2014, the District filed a complaint in Snohomish County Superior Court, against several private parties alleging claims for cost recovery and declaratory relief under Washington's Model Toxics Control

Act, Chapter 70.105D RCW ("MTCA"). In August 2017, the District entered into a Release and Settlement Agreement to resolve this claim at issue in the complaint. As a consequence of the agreement, the District received a settlement check in the amount of $100,000 from Illinois National Insurance Company.
This settlement involved a dismissal of all claims pertaining to the former Alderwood Dry Laundry and Dry Cleaner.

NOTE 16 – ACCOUNTING AND REPORTING CHANGES

New Accounting Standards
In 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement an APA is an arrangement in which a government compensates an operator for services that may included designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The District also implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement 87, *Leases*, as amended.

Prior Period Adjustment
A prior period adjustment in the amount of $308,025 is reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position. This amount contains two components: 1) an increase of $207,627 to correct PPP-related items, which have been adjusted per GASB 94 in 2023; and 2) an increase of $100,398 to correct previously reported receivable and payable balances.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability
Plan PERS 1
As of June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.002085%	0.001948%	0.001362%	0.001833%	0.001871%	0.001906%	0.001899%	0.001956%	0.001892%
Employer's proportionate share of the net pension liability	47,595	54,239	16,633	64,715	71,947	85,123	90,109	105,046	98,969
Employer's covered employee payroll	372,124	334,863	227,643	279,073	262,378	253,271	239,413	234,328	227,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	12.79%	16.20%	7.31%	23.19%	27.42%	33.61%	37.64%	44.83%	43.54%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	45.39%	53.11%

Schedule of Proportionate Share of the Net Pension Liability
Plan PERS 2/3
As of June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.002692%	0.002541%	0.001751%	0.002399%	0.002414%	0.002458%	0.002442%	0.00251%	0.002445%
Employer's proportionate share of the net pension liability (asset)	(110,337)	(94,240)	(174,428)	30,682	23,448	41,968	84,848	126,377	87,361
Employer's covered employee payroll	372,124	334,863	227,643	279,073	262,378	253,271	239,413	234,328	227,303
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-29.65%	-28.14%	-76.62%	10.99%	8.94%	16.57%	35.44%	53.93%	38.43%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	54.61%	46.89%

Schedule of Employer Contributions
Plan PERS 1
For the Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	13,868	12,919	10,995	11,753	13,168	13,070	12,165	11,388	10,173
Contributions in relation to the contractually required contributions	13,868	12,919	10,995	11,753	13,168	13,070	12,165	11,388	10,173
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employer payroll	401,356	344,816	258,131	245,667	266,294	258,120	248,244	234,328	227,303
Contributions as a percentage of covered employee payroll	3.46%	3.75%	4.26%	4.78%	4.94%	5.06%	4.90%	4.86%	4.48%

Schedule of Employer Contributions
Plan PERS 2/3
For the Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	25,526	21,930	18,325	19,457	20,558	19,359	17,033	14,810	13,003
Contributions in relation to the contractually required contributions	25,526	21,930	18,325	19,457	20,558	19,359	17,033	14,810	13,003
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employer payroll	401,356	344,816	258,131	245,667	266,294	258,120	248,244	234,328	227,303
Contributions as a percentage of covered employee payroll	6.36%	6.36%	7.10%	7.92%	7.72%	7.50%	6.86%	6.32%	5.72%

Schedule of Changes in OPEB Liability and Covered Payroll
As of June 30, 2023

	2023	2022	2021	2020	2019
Service Cost	5,202	3,393	3,378	4,200	4,529
Interest	4,153	1,454	2,206	2,715	3,281
Changes in Experience Data and Assumptions	(16,562)	44,630	(37,862)	16,270	(14,596)
Changes in Benefit Terms	-	-	-	-	-
Benefit Payments	(2,085)	(439)	(124)	(78)	(88)
Other	-	-	-	-	-
Net Change in Total OPEB Liability	(9,292)	49,038	(32,402)	23,107	(6,874)
Total OPEB Liability - Beginning	113,155	64,117	96,519	73,412	80,286
Total OPEB Liability - Ending	103,863	113,155	64,117	96,519	73,412
Covered Employee Payroll	378,304	333,663	150,675	279,073	266,294
Total as a Percentage of Covered Payroll	27.45%	33.91%	42.55%	34.59%	27.57%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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