Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Edmonds Public Facilities District

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

Published December 26, 2024

Report No. 1036346

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Office of the Washington State Auditor
Pat McCarthy

December 26, 2024

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Edmonds Public Facilities District
January 1, 2023 through December 31, 2023

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

Audit Period: 2022	**Report Ref. No.:** 1033370	**Finding Ref. No.:** 2022-001

Finding Caption:

The District did not have adequate internal controls ensuring accurate reporting of its financial statements.

Background:

District management is responsible for designing, implementing and maintaining internal controls to ensure the District's financial statements and notes are prepared and presented fairly in accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) statements. Our audit found a significant internal control deficiency. Specifically, the District did not have a process in place to adequately research and implement new accounting standards.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

The District's Accountant attended Washington Finance Officers Association (WFOA) BARS-GAAP training presented by the Washington State Auditor's Office on November 14, 2023, which included an update on upcoming GASB pronouncements.

Both the District's Associate Executive Director and Accountant attended the Government Finance Officers Association's (GFOA) 2024 Annual Governmental GAAP update on November 14, 2024.

The District has continued to improve upon its financial preparation and review process over the past year, recognizing the needed training for the District's Accountant to enable the ability for the Associate Executive Director's to have time for review.

The District is working to complete its update to its Financial Policies and Procedures Manual to continue to provide guidance and training to accounting staff.

INDEPENDENT AUDITOR'S REPORT

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

Edmonds Public Facilities District
January 1, 2023 through December 31, 2023

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Edmonds Public Facilities District, 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 December 18, 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.

We noted certain other matters that we have reported to the management of the District in a separate letter dated December 18, 2024.

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

December 18, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Edmonds Public Facilities District
January 1, 2023 through December 31, 2023

Board of Directors
Edmonds Public Facilities District
Edmonds, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Edmonds Public Facilities District, a component unit of the City of Edmonds, 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 Edmonds Public Facilities 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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

December 18, 2024

FINANCIAL SECTION

Edmonds Public Facilities District
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Edmonds Public Facilities District (the "District") presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2023. The Management's Discussion and Analysis is designed to:

- Assist the reader in focusing on significant financial issues.
- Provide an overview of the District's financial activity.
- Identify changes in the District's financial position (its ability to meet future years' challenges).

The Management's Discussion and Analysis focuses on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of Management's Discussion and Analysis (this section), the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and the Notes to the Financial Statements.

The District is a business-type activity, the purpose of which is to construct, maintain and operate a performing arts center within the boundaries of the City of Edmonds. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered. The District is also supported by a legally separate entity, a 501(c) (3) not-for-profit corporation called Edmonds Center for the Arts (ECA), the purpose of which is to assist the District with community outreach, audience development and securing contributions from private sources to help support the operation of the performing arts center. ECA's financial activities are included within the Financial Statements of the District, as the non-profit is a blended component unit of the District.

FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on all the District's assets, deferred inflows/outflows of resources and liabilities, and with the difference between the two reported as net position. This statement is like the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as useful indicators of improvement or deterioration in the District's overall financial position. Nonfinancial factors should also be considered to assess the position of the District.

	2023	2022
ASSETS		
Current assets	$ 801,816	$ 983,336
Capital assets(net)	9,737,642	9,849,509
Non current assets per GASB 87	625,771	737,404
Cash and Cash Equivalents - Restricted	698,879	764,110
Board Designated Investments for Future Capital	500,000	
Net pension asset	406,370	310,907
Total assets	$ 12,770,478	$ 12,645,266
Deferred outflows of resources related to pensions	340,009	344,047
Total assets and deferred outflows of resources	$ 13,110,487	$ 12,989,313
LIABILITIES		
Current liabilities	$ 1,376,343	$ 1,145,815
Long-term debt	4,637,665	5,128,701
Non current liabilities per GASB 87 & GASB 96	-	4,937
Net pension liability & compensated absences	220,567	238,197
Total liabilities	$ 6,234,575	$ 6,517,650
Deferred inflows of resources related to pensions and GASB 87	1,079,220	1,284,387
Total liabilities and deferred inflows of resources	$ 7,313,795	$ 7,802,037
NET POSITION		
Net investment in capital assets	$ 4,607,434	$ 4,234,248
Restricted	1,359,424	1,203,929
Unrestricted	(170,166)	(250,901)
Total net position	$ 5,796,692	$ 5,187,276

Condensed Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues and gains) and decreases (expenses and losses) in the District's net position during the current year.

	2023	2022
Revenues		
Operating revenues	$ 2,921,286	$ 2,608,106
Non-operating revenues	1,714,358	1,321,567
Total revenues	$ 4,635,644	$ 3,929,673
Expenses		
Operating expenses	$ 3,853,914	$ 3,669,313
Non-operating expense	172,314	141,216
Total expenses	$ 4,026,228	$ 3,810,528
Change in net position	609,416	119,145
Net position - beginning of year	5,187,276	5,068,131
Net position - end of year	$ 5,796,692	$ 5,187,276

Analysis of Revenues, Expenses and Changes in Net Position:

Revenues:
The District's operating revenues increased $313,180 or 12% in 2023 over 2022. Gains were most significant in the District's earned revenue, which was primarily due to increases in rentals of the District's facility for performances and events. This net change in earned revenue from 2022 to 2023 reflects a continued steady recovery following the District's return to full operations in 2022 following 18 months of being closed due to the State of Emergency declared by Governor Jay Inslee in March of 2020 in response to the COVID-19 pandemic.

Revenue from contributions in 2023 increased from 2022 levels by 21%. This increase is related in part to an increase in donor contributions in 2023. Management believes this increase in donations reflected donor engagement in programs and activities resuming after the temporary, State-mandated closure of Edmonds Center for the Arts (March 2020 – September 2021).

The District's non-operating revenue increased by $392,791 or 30% in 2023 compared to 2022. However, it is important to note that the District received a one-time grant revenue in the amount of $250,000 from the Snohomish County Office of Recovery and Resilience as specific pandemic-related grant relief as part of this total. If this specific pandemic-related grant relief is excluded from the District's calculation of non-operating revenue in 2023, it should be noted that there would have been an increase of $142,791 or 9% over 2022 figures. The District's ongoing State Sales Tax Rebate from the State of Washington grew 8% in 2023.

Expenses:
The District's total Operating Expenses increased $184,601 or 5% over the prior period. Returning to full operation by the end of 1st quarter in 2022, the District experienced elevated facility expenditures as a result of increased usage of the Edmonds Center for the Arts campus in 2023 by 27% compared to 2022. The pension expense under GASB 68 decreased by $100,760 due to valuation changes brought on by interest rate and

inflation changes in 2023. Without this significant pension expense decrease, total operating expenses increased 8% in 2023 compared to 2022. Operating expenses in 2023 were impacted by inflation to some extent, with wages increasing 4% to retain current employees and recruit for open positions.

Net Position & Capital Assets:
The total net position of the District (assets in excess of liabilities) at December 31, 2023, was $5,796,692. This was an increase of $609,416 or 12% compared to December 31, 2022, and reflects the total net income (less expenses) achieved for 2023. Capital Asset additions in 2023 were $182,990 and $90,018 was spent in 2023 for a on-going building condition study of campus building. Accumulated depreciation in 2023 increased by $384,875 due to depreciation of capital assets. Payments made on three debt obligations summarized in note 4 totaled $485,036. See Notes 2, 3, and 4 for activity and information about capital assets and long-term debt.

As of December 31, 2023, the District designated $500,000 of cash equivalent investment for future capital expenditures.

The largest component of the District's net position remains its investment in capital assets, less debt related to the acquisition of these assets, for a total of $4,607,434 These assets, such as buildings and equipment, are used to provide services to the citizens of Edmonds and the surrounding region.

Of the District's total net position on December 31, 2023, $1,359,424 was restricted. This restricted portion increased by $155,495 or 13% in 2023 due to strong State sales tax revenue gains, which are deposited into restricted funds. The District's unrestricted net position increased by $80,735. After meeting debt service needs, the remaining restricted funds can be used for facility maintenance, capital repair/replacement, and functions of District operations such as employee salaries, programming, advertising, and supplies.

Notes to the Financial Statements

The Notes to the Financial Statements are integral to the financial statements. They immediately follow the Financial Statements in this report, and they provide additional disclosures essential to a full understanding of the statements.

FINANCIAL CONDITION, RESULTS AND OUTLOOK

Operating Performance

Withstanding the devastating impact of the pandemic on its operation from March 2020 through 1st Quarter of 2022, the District's overall financial position improved substantially in 2021 and continued to recover through 2023. In addition to relief received through the Shuttered Venue Operators Grant program, and other forms of government relief, the District was also able to refinance a portion of its long-term debt in November 2021 with assistance from the City of Edmonds. These were the two most significant factors in the dramatic positive shift in the District's overall financial condition.

The District continues to employ a very conservative financial strategy wherein its operational and programmatic work is developed based on acquired or anticipated budgets. The District remains optimistic, balancing the hiring of needed personnel, and navigating steady but continuing last-minute ticket sales unlike in pre-pandemic Seasons. Given dramatic shifts seen in the arts sector, the organization remains focused on its business activities, concessions sales, and continued development of contributed revenue to support its education and community engagement programs.

In 2023, the District incurred an operating loss before depreciation of $547,753, compared to the previous year in which it incurred a loss before depreciation of $684,279. After accounting for the decrease in pension expense under GASB 68 of $100,760 in 2023 compared to 2022, the remaining operating loss is due to inflation and staff increases. Contribution revenue, up by 21% in 2023 compared to 2022, is still below 2018/2019 average year revenue by $55,000. As referenced above, the primary reason for this drop in contribution revenue from individuals is due to a continued recovery in programming and fundraising activity post-pandemic still having an impact into 2023. The District has plans to address this shortfall and grow contribution revenue.

Strategic Planning: In June 2017, the District and the Not-For-Profit Boards and staff embarked on a planning process to update the organization's Strategic Business Plan for the five-year period of 2019 – 2023. The District and Non-Profit Boards officially approved the 5-year Strategic Business Plan at a joint Board meeting in December 2018. In 2019 and 2020, District department heads and board committees began implementing work plans based on the Strategic Business Plan objectives. These plan objectives focused primarily the further development of earned revenue by developing new rental business, expanding the non-profit donor base, analyzing the net profit of presented events before sponsorship, stewardship of District assets and the development of external partnerships.

The District's ability to meet its Strategic Business Plan objectives in the latter half of the 2019-2023 implementation timeframe was impeded by the effects of the pandemic. It has also become clear that strategic priorities and goals set forth in 2019 have changed significantly, also as a result of the pandemic. Surveys have revealed that patterns of audience engagement may have changed, and the performing arts industry nationwide is in the process of recognizing and reacting to these changing patterns.

With the hire of a new Executive Director starting on November 1, 2023, the District shifted its approach for its strategic planning process that had been anticipated to begin in 2024. On September 23, 2023, the District and ECA Boards of Directors, along with management held a joint retreat to discuss the priorities for the next 12-18 months and to begin to identify opportunities for going into the new strategic planning process.

The District plans to begin a new strategic planning process in late 2024 that includes an RFP process to engage with a consultant in assisting with this work starting in early 2025. Audience and community surveys and focus groups, along with careful research and identification of emerging trends will be critical to the planning process. District leadership expects to complete its next strategic plan by December 2025 for implementation thereafter.

Non-Operating Performance
The District's Intergovernmental Revenue (sales tax), which funds its interest and principal payments due under its debt obligations, comprises sales tax rebates from the State of Washington and contributions from Snohomish County Public Facilities District established by inter-local agreement.

Between 2011 and 2017, the District's annual debt services was met, in part, with assistance from the City of Edmonds in the form of loans as prescribed in a Contingent Loan Agreement (CLA) between the two entities signed in 2008 (see Note 3 in the accompanying Notes to the Financial Statements). Under the terms of the CLA, the City of Edmonds is contractually obligated to advance to the District, as a loan, the amount of any shortfall in the District's Debt Service Fund each year. The City of Edmonds pledges its full faith and credit thereto. The City must provide the same contingent financial support to the District for the life of the 2021 bonds, or until such assistance is no longer required.

As of 2018, the District no longer required assistance from the City of Edmonds to meet its annual debt service obligations and has made incremental annual payments on this loan. In December 2023, the District met its long-term bond debt obligations and made a loan payment to the City in the amount of $150,000 which includes accrued interest for 2023. It is anticipated that the District will make a payment on this loan in the amount of $150,000, which includes accrued interest, in December 2024.

Increased Sales Tax Revenues: Since 2014, the City of Edmonds and Snohomish County have experienced significant annual growth in sales tax revenues. As macro-economic conditions continue to improve, even in light of the pandemic, the sales tax rebates the District receives from the State of Washington and from Snohomish County Public Facilities District have increased and along with the 2021 bond refinancing, starting in 2021 and continuing into 2023, the debt service requirements for 2023 consume only 52% of sales tax revenues. Projections for 2024 and beyond show increasing amounts of sales taxes not required to meet debt service obligations.

Extension of Public Facilities District Legislation: In 2017 the Washington State Legislature passed House Bill 1201, and the Bill was subsequently signed into law by Governor Jay Inslee in April 2017 extending the sales tax rebate for Public Facilities Districts by a period of 15 years from 2027 to the year 2041. The extension of this funding source provided the District with the opportunity to refinance a portion of its long-term debt. In November 2021, the District collaborated with the City of Edmonds to refinance bonds originally issued in 2002. This refinancing extended the repayment terms for this portion of the District's long-term debt to 2041. This extended loan period combined with a low interest rate will help free a significant portion of the District's annual non-operating revenue for capital maintenance, replacement, and improvements, or for operations as required.

Requests for Information
The following Financial Statements are designed to provide users with a general overview of the District's financial performance as well as to demonstrate accountability to its citizens, investors, creditors, and other customers. If you have a question about this report, please contact Edmonds Public Facilities District, 410 Fourth Avenue North, Edmonds, Washington, 98020, (425) 275-4485.

Edmonds Public Facilities District
Statement of Revenue, Expenses and Changes in Net Position
For the Period Ended December 31, 2023

Operating Revenues:		
Ticket Sales and Service Fees	$	817,334
Rentals		559,484
Facility Space Leases under GASB 87		129,139
Education and Outreach		34,073
Concessions		171,285
Contributions		1,099,833
Advertising		11,000
Facilities Historic Preservation Fees		99,137
Total Operating Revenue	$	2,921,286
Operating Expenses:		
Artist Presentations and Theatre	$	596,656
Rentals		43,750
Education and Outreach		76,385
Development		153,490
Advertising and Marketing		127,662
Salaries, Employer Taxes, and Employee Benefits		1,781,308
Pension Expense under GASB 68		(35,077)
Facilities Maintenance and Utilities		241,909
Contracted Services		57,234
Supplies and Other Operating Expenses		420,027
Amortization of Leased Assets under GASB 87		5,695
Depreciation		384,876
Total Operating Expenses	$	3,853,914
Operating Income (Loss)	$	(932,629)
Non-operating Revenue and (Expenses):		
Intergovernmental Revenue	$	1,264,904
Grant Revenue		385,783
Interest Expense on Long-term Debt		(171,720)
Interest Expense under GASB 87		(322)
Interest Revenue under GASB 87 Leases		24,204
Interest Earned on Investments		39,468
Gain (Loss) on Stock Sales		(271)
Non-Operating Income (Loss)	$	1,542,045
TOTAL NET INCOME (LOSS)	$	609,416
BEGINNING NET POSITION	$	5,187,276
END OF YEAR NET POSITION	$	5,796,692

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

Edmonds Public Facilities District
Statement of Net Position
As of December 31, 2023

ASSETS:		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	$	167,702
Customer Accounts Receivable		56,336
Pledges Receivable		80,683
Due from Other Governments		254,175
Leased Assets Receivable-Current		105,938
Inventory		12,756
Prepayments		124,226
Total Current Assets	$	801,816
Noncurrent Assets:		
Land	$	3,444,885
Construction in Progress		97,359
Buildings, Equipment, Furniture and Other Depreciable Assets		15,668,578
Accumulated Depreciation		(9,473,180)
Leased Assets under GASB 87		16,135
Accumulated Amortization of Leased Assets under GASB 87		(11,389)
Leased Assets Receivable under GASB 87 Long -term Portion		621,026
Cash and Cash Equivalents - Restricted		698,879
Board Designated Cash Equivalent Investments for Future Capital		500,000
Net Pension Asset		406,370
Total Noncurrent Assets	$	11,968,663
Total Assets	$	12,770,478
DEFERRED OUTFLOWS OF RESOURCES Related to Pensions	$	340,009
	$	340,009
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$	193,288
Wages and Benefits Payable		116,351
Unearned ECA Ticket Sales and Other Unearned Revenue		453,802
Liabilities for Customer Deposits and Ticket Sales		110,979
Accrued Interest		4,634
Current Portion of Long-Term Debt Liabilities		492,352
Current Portion of Leased Equipment Liability under GASB 87		4,937
Total Current Liabilities	$	1,376,343
Noncurrent Liabilities:		
Loan Payable to First Financial Northwest Bank	$	1,401,968
Contractual Obligation to the City of Edmonds		2,345,000
Loan Payable to the City of Edmonds		890,697
Liability for Compensated Absences		45,751
Leased Asset Equipment Liability under GASB 87		0
Net Pension Liability		174,816
Total Noncurrent Liabilities	$	4,858,232
Total Liabilities	$	6,234,575
DEFERRED INFLOWS OF RESOURCES:		
Deferred Leased Revenue under GASB 87 Current Portion	$	105,938
Deferred Leased Revenue under GASB 87 Long-term		621,026
Pension Libility under GASB 68		352,256
Total Inflows of Resources	$	1,079,220
NET POSITION:		
Net Investment in Capital Assets	$	4,607,434
Restricted		1,359,424
Unrestricted		(170,166)
Total Net Position	$	5,796,692

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

Edmonds Public Facilities District

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Ticket Sales	$ 1,154,047
Rental Receipts	567,091
Facility Space Lease Receipts under GASB 87	129,139
Concession Sales	171,285
Contributions Received	1,221,867
Payments to Artists and for Event Production Costs	(790,482)
Payments to Suppliers	(556,697)
Payments to Employees	(1,943,952)
Other Outside Payments	(338,386)
Net Cash Provided (Used) by Operating Activities	$ (386,088)
Cash Flows from Capital and Related Financing Activities	
Receipt of Intergovernmental Payments	$ 1,260,280
Receipt of Grant Revenue	257,454
Principal Paid on Long-term Debt for:	
2021 Bond Contractual Obligation to the City of Edmonds	(115,000)
First Financial Northwest Bank Loan	(280,352)
City of Edmonds Loan	(95,684)
Interest Paid on Long-term Debt	(171,829)
Interest Expense under GASB 87	(322)
Investment in Building Renovation and Equipment	(273,008)
Net Impact of Adopting GASB 87 for Lease Accounting	(17)
Net Impact of Adopting GASB 96 for SBITA Asset Accounting	305
Net Cash flows from Capital and Related Financing Activities	$ 581,828
Cash Flows from Investing Activities:	
Interest Received on Investments	$ 39,468
Interest Income Earned for Facility Space Leases under GASB 87	24,204
Loss on Sale of Donated Stock	(271)
Net Cash Provided from Investing Activities	$ 63,400
Total Adjustments	$ 259,139
Beginning of the Year Cash	1,107,442
End of the Year Cash	$ 1,366,582
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ (932,629)
Add Back Depreciation & Amortization	390,570
Changes in Assets and Liabilities:	
Accounts Receivables	192,324
Inventory	(2,938)
Prepayments	(73,691)
Account Payable	108,177
Salaries, Employer Taxes, and Employee Benefits Payable	(12,585)
Compensated Absences	(13,383)
Unearned Revenues	122,503
Unearned Customer Deposits	7,317
Pension Liability, net	(171,753)
Net Cash Provided (Used) by Operating Activities	$ (386,088)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Edmonds Public Facilities District (referred to hereafter as the "District"), conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB). The District's financial statements are comprised of the accounts of the District per se, a government body, and its private-sector not-for-profit affiliate, Edmonds Center for the Arts (ECA). The District's significant accounting policies are described below.

ECA follows accounting standards promulgated by the Financial Accounting Standards Board. It applies those standards by utilizing guidance contained in the American Institute of Certified Public Accountants Audit and Accounting Guide, "Not-for Profit Entities." Financial statements for ECA alone are included in its Form 990, filed annually with the Internal Revenue Service. Copies of Forms 990 filed by ECA for the three most recent years may be downloaded without charge from the website of Guidestar, Inc. (http://www.guidestar.org/).

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 net pension asset, the District includes the (net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows).

A. Reporting Entity

The Edmonds Public Facilities District was established under the authority of the Laws of the State of Washington, 1999, Chapter 165, pursuant to Ordinance No. 3358 of the City Council of the City of Edmonds, passed on April 24, 2001. Under RCW 35.57 the City has authority to form a public facilities district for the purposes, inter alia, of acquiring, constructing, operating, promoting, and financing a Regional Center.

Edmonds Public Facilities District developed a performing arts center (Regional Center) within the city of Edmonds called Edmonds Center for the Arts that provides for meetings, conferences, community events, sporting events, trade shows, and artistic, musical theatrical, or other cultural exhibitions, presentations or performances to the City, the County, and the entire state and their residents. Edmonds Center for the Arts is a strong contributor to the economic vitality of the region and is a source of great pride to the community and its patrons, staff, and volunteers. The District is a municipal corporation in the State of Washington. It is a discrete component unit of the City of Edmonds. Its governing board is appointed by the City Council of Edmonds and comprises of five members who serve staggered four-year terms, with one term renewal permitted.

ECA is a not-for-profit corporation organized and operated in conformity with Section 501(c) (3) of the Internal Revenue Code. ECA's activities are limited to providing support for the District and its performing arts center. ECA conducts various activities to raise funds, primarily from private- sector sources, including individuals, corporations and other businesses, and foundations. Its current twenty-one-member Board of Directors is appointed by the Board of the District for three-year terms renewable two times. ECA Board members provide advice and counsel to the entity. ECA's financial activities are included within the Financial Statements of the District, as the non-profit is a blended component unit of the District.

Edmonds Center for the Arts is grateful to host our performances and programs on the unceded, culture-rich indigenous lands of the Coast Salish people. On behalf of our staff, Boards, and volunteers, we honor with gratitude the land itself and the Coast Salish Peoples of our region, past, present, and future.

B. <u>Basis of Accounting</u>

The District uses the economic resources measurement focus and full accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of the cash flows.

The District's operating expenses include all costs associated with its presenting, rental and concessions businesses, as well as the costs associated with administration and fundraising. Financial costs, principally interest expense, are recorded as non-operating expenses.

The District receives and records operating revenue from the sources described below. Sales tax rebate receipts, intergovernmental revenues, as well as interest and other investment revenues are recorded as non-operating revenues.

(1) Ticket Sales to the District Presentations are recorded as a liability, "Unearned Revenue," until the date of the performance. Ticket revenue is therefore recognized as earned on the date of each performance. Tickets donated by patrons prior to performances are reclassified as contribution revenue at amounts equal to the original ticket sale price and placed back into ticket inventory for resale.

(2) Rental Revenue is derived from rentals of the auditorium, as well as other spaces in the facility. Rentals amounts received in advance are recorded as a Deposit Liability, a current liability on the Statement of Net Position. Unpaid rents are recorded as accounts receivable.

(3) Sales Tax Revenue and Intergovernmental Revenue are recorded as non-operating revenues on the Statement of Revenues, Expenses and Changes in Net Position. District sales tax revenue represents a rebate of a portion of State of Washington sales taxes assessed and collected within the District. Intergovernmental revenue consists of the proceeds of an Inter-Local Agreement between the City of Edmonds, Edmonds Public Facilities District, Snohomish County, and the Snohomish County Public Facilities District. That agreement provides for rebates of sales taxes assessed and collected elsewhere in Snohomish County to public facilities districts in the county, including the District.

Under the agreements which generate these revenues, they must be used first to pay the annual principal and interest on the District's long-term debt. The debt (see Note 3) that must be serviced comprises the District's 2021 Contractual Obligation to the City of Edmonds, loan payable to First Financial Northwest Bank, and Loan payable to the City of Edmonds. In any fiscal year in which the Sales Tax and Intergovernmental Revenues exceed the amounts required to service these liabilities, the excess may be used by the District for operations, capital expenditures, or other debt reduction.

In the event the District lacks sufficient non-voted debt capacity to incur indebtedness resulting from a loan from the City, the District shall incur indebtedness for an amount equal to the District's remaining non-voted debt capacity, if any, and any loan amount greater than the District's then-remaining non-voted debt capacity shall be deemed an equity payment by the City to the District in exchange for an interest in the District's Regional Center, which need not be repaid. Within 60 days after any such equity payment by the City, the District shall deliver to the City a quitclaim deed conveying to the City a tenancy-in-common interest in the Regional Center. Such interest shall be a percentage ownership interest in the Regional Center, the numerator of which shall be the sum of such equity payment and the costs of transferring title and recording such quitclaim deed, and the denominator of which shall be the aggregate original principal amounts of: (a) the Refunded Bonds, (b) all bonds issued by the City to finance the buildings and equipment, and (c) any other bonds issued by the District to finance the buildings(excluding from clause (c) the Note, the Prior Note (as defined in the Original Agreement) and any bonds, or any portion thereof, issued to refinance bonds issued by the City or the District to finance the Regional Center.

The Sales Tax and Intergovernmental Revenues are recorded as revenue during the fiscal period in which they are assessed. Revenues earned but not yet received are recorded as receivables.

(4) Contributions are the principal revenue source for Edmonds Center for the Arts. They are received in three different forms: cash donations, donation of financial instruments, and donated performance tickets. Contributions are recorded as revenue when they are in the form of voluntary unconditional promises to give (pledges). ECA records donations as revenue on the date of receipt. ECA's policy is to sell donated financial instruments immediately thereafter. Donated tickets are placed back into inventory for sale to the public.

C. Cash and Cash Equivalents

In the statement of Net Position, Cash and Equivalents includes cash in the bank and short-term investments held in the Washington State Local Government Investment Pool (LGIP), these investments are reported at amortized cost. These short-term investments can be withdrawn on one day's advance notice.

D. Receivables

Customer accounts receivable consist of amounts due from private individuals or organizations for goods and services. Pledged receivables consist of amounts due on promised contributions. The amount due from governments consists of sales tax and sponsorships. Total receivables are listed below:

Customers	$ 56,336
Pledges from Private Sources	80,683
Due from Governments	254,175
Total Receivables	$ 391,194

E. Inventories

Inventories consist primarily of goods held for sale as concessions. Inventories are valued at historic cost under the FIFO identification method. At December 31, 2023, the balance is $12,756, which is an increase of $2,938 in comparison to December 31, 2022.

F. Restricted Assets

The cash and cash equivalent accounts contain resources for debt services, grants, and facilities and are shown in the below table. Specific debt service reserve requirements are described in Note 3.

The District implemented a facility ticket fee in 2017 which is designated for specific purposes generally not part of the Operating Budget. Specifically, for the sole purpose of making capital improvements, or to make emergency maintenance outside of the normal day to day operations of the facility.

The amount due from governments consists of sales tax, contributions made from Snohomish County Tax and Lodging, Edmonds Arts Commission, and the City of Edmonds - Lodging Tax (posted to revenue but not yet collected).

As of December 31, 2023, the restricted assets are composed of the following:

Cash and cash equivalents – Debt Service	$	594,144
Cash – Facilities		104,148
Cash- Endowment Fund		587
Due from Governments		254,175
Net Pension Asset		406,370
Total Restricted Assets	$	1,359,424

G, Board Designated Funds for Capital Expenditures

The District's Board adopted a resolution to establish a separate fund for future capital expenditures. As of December 31, 2023 $500,000 was establish from unrestricted funds not needed for operations. When excess funds are available, such amounts can be transferred to this fund. Major capital expenditures can be funded from this fund. The funds are invested in the short-term investments held in the Washington State Local Government Investment Pool (LGIP).

H. Compensated Absences

Employees who work 30 or more hours per week earn compensated vacation each pay period based on the number of hours worked. The amount of paid leave an employee can earn depends on their length of service with the organization and the number of hours they are regularly scheduled to work each week. A maximum of 30 unused vacation days may be carried over from one year to the next.

The District's long term year's liability at December 31, 2023, was $45,751. This resulted in a decrease of $13,838 from December 31, 2022.

I. Leases

Accounting for long-term leases follows GASB 87 as described in Note 7.

J. Pensions

Pensions are recorded in accordance with GASB 68 and detail disclosures are described in Note 6.

K. Debt and Accrued Interest

The recording of long-term debt follows GAAP and the details of each issue is described in Note 3. The amounts due for the next twelve months from December 31, 2023 are recorded as current portion of debt in the current liabilities section of the Statement of Net Position.

Interest that is due under long-term debt obligations at December 31, but has not been paid as of that date is shown as accrued interest and classified as a current liability on the Statement of Net Position. Such accrued interest amounts are part of interest expense on the Statement of Revenues, Expense and Changes in Net Position.

L. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are for current pension assets under GASB 68.

Deferred inflow of resources are for current pension liabilities under GASB 68, and unearned leased revenue under rental of space contracts accounted for under GASB 87.

M. Capital Assets

In the Statement of Net Position, Buildings, Equipment, Furniture and Other Depreciable Assets is related to Capital Assets. (See Note 2.) The following is a list of the estimated useful lives of each category of capital assets for depreciation purposes:

Asset Category	Useful Life
Buildings	40-50 years
Building Service Equipment	10-25 years
Furniture and Fixtures	Up to 15 years
General Office Equipment	5 years
Computer Equipment	3-5 years
Computer Software	Up to 7 years
Leased Assets	Life of lease
Leasehold Improvements	Remaining Lease Term

Capital assets include land, buildings, equipment, and technology/software. The District capitalizes purchased items having a useful life of more than one year and an acquisition value more than $2,000. Purchased assets are recorded at cost when placed in service. The District's major capital asset is its 2006 renovated auditorium and the un-renovated building structures (Building). In 2021, the Board approved an updated Capital Asset policy that provided for extending the depreciable life of an asset, when it is determined that such asset will be in use past the life originally established. Until 2021, the building is being depreciated over a 25-year life using the straight- line method. Starting in 2021, the life has been extended by an additional 10 years. Other capital assets are depreciated over a period of 15 years or less using the straight-line method. Land and construction in progress are not depreciated. Donated Assets are valued at acquisition cost.

If replacement or disposal of an item that is a part of the 2006 original building renovation component or other renovation project that does not specifically identify the item, and such acquisition cost cannot be determined in the records, such original acquisition cost is estimated using an inflation calculator (www.usinflationcalculator.com) based on the current cost of the new item. The accumulated depreciation taken to date shall be calculated from this estimated original acquisition cost. After removing accumulated depreciation, a gain or loss of the disposed asset is recognized. The new asset component will be depreciated over the remaining life assigned to the original asset.

NOTE 2 - CAPITAL ASSETS

The Schedule of Capital Activity that follows shows beginning and ending balances, as well as the changes in capital assets and accumulated depreciation during the year ended December 31, 2023.

Schedule of Capital Asset Activity	Balance 12/31/2022	Increase	(Decrease)	Balance 12/31/2023
Capital assets, non-depreciable:				
Land	$ 3,444,885	$ -	$ -	$ 3,444,885
Construction in Progress	7,341	90,018	-	97,359
Total capital assets, non-depreciable:	$ 3,452,226	$ 90,018	$ -	$ 3,542,244
Capital assets, depreciable:				
Building and Renovations	$ 14,690,572	$ 113,278	$ -	$ 14,803,851
Equipment, Furniture & Technology	795,016	69,712	-	864,727
Total capital assets depreciable:	$ 15,485,588	$ 182,990	$ -	$ 15,668,578
Less accumulated depreciation for:				
Building and Renovations	$ (8,568,487)	(327,711)	$ -	$ (8,896,198)
Equipment, Furniture & Technology	(519,819)	(57,164)	-	(576,983)
Total accumulated depreciation	$ (9,088,306)	$ (384,875)	$ -	$ (9,473,180)
Total net depreciable capital assets	$ 6,397,282	$ (201,885)	$ -	$ 6,195,398
Total capital assets, net	$ 9,849,509	$ (111,866)	$ -	$ 9,737,642

NOTE 3 - LONG-TERM DEBT

Contingent Loan Agreement

In 2008, the District issued Sales Tax Obligation and Refunding Bonds in the amount of $4,000,000. The bond proceeds were used to refund the District's outstanding balance on its 2005 General and Revenue Obligation Line of Credit ($3,883,804). The remaining proceeds were used to pay bond issuance costs and a portion was placed in reserve for future debt payments. The Bonds were issued pursuant to chapters 35.57 and 39.46 of the Revised Code of Washington and Resolution No. 27 adopted by the District's Board of Directors. When the Sales Tax Obligation and Refunding Bonds were issued, the District entered into a Contingent Loan Agreement (CLA) with the City of Edmonds (the City) providing credit support for the bonds. The CLA (original agreement dated July 14th, 2008) states that the City pledges its "full faith, credit and resources" in an "absolute and unconditional" obligation to lend money to the District for paying debt service on the bonds.

During the period from 2011-2017, the District borrowed from the City of Edmonds under the CLA a total of $1,235,000 to help meet debt service payments of the 2008 bond and for supplementing cash deficits.
The District began in 2018 repayments to first pay accrued interest with the remainder going to reduce principal outstanding. There is no unpaid accrued interest as of December 31, 2023. The total remaining principal due on the CLA at December 31, 2023 is $987,697. Interest accrues on the outstanding balance at the Local Government Investment Pool rate as determined as of the last day of each month in which the loan is outstanding and shall change monthly as of the first day each month in which the loan is outstanding. Unless paid earlier, the balance shall mature on December 31, 2028.

Resolution No. 2018-2, adopted on October 25, 2018, and entitled "A resolution of the District providing for the issuance of a note in the principal amount of not to exceed $3,000,000, to provide funds with which to repay and redeem in a current refunding of its outstanding Sales Tax Obligation and refunding bonds, 2008, and pay the costs of issuance of the note and administering the refunding plan;

The 2008 Sales Tax Obligation and Refunding Bonds were refinanced in 2018. The District borrowed $2,803,516 from First Financial Northwest Bank.

First Financial Northwest Bank Loan (Note)

This first amended and restated CLA is dated November 15th, 2018, and amends and restates the CLA dated July 14th, 2008 (the original agreement), by and between the City of Edmonds and the District. The City of Edmonds and the District entered into this agreement solely for the purpose of providing credit support for the District's Loan (promissory) note, 2018 issued in the amount of $2,803,516 to First Financial Northwest Bank. Under the new CLA the District did not borrow any funds. The loan amount did not exceed the amount necessary to refund the Refunded 2008 Bonds and pay the cost of issuance and sale of the note.

The First Financial Northwest Bank Loan outstanding is as follows:

Issue Name	Interest Rate	Balance 12/31/2022*	Paid in 2023	Balance 12/31/2023*
First Financial Northwest Bank Loan Payable	3.0%	$ 1,962,672	$ 280,352	$ 1,682,320

*Balance includes both current and long term components

Following is a table which reflects debt service to maturity for the Contractual Obligation to the First Financial Northwest Bank:

Year	Principal	Interest	Total
2024	$ 280,352	$ 50,463	$ 330,815
2025	280,352	42,053	322,405
2026	280,352	33,642	313,994
2027	280,352	25,232	305,584
2028-2029	560,912	25,232	586,144
	$ 1,682,320	$ 176,622	$ 1,858,942

Contractual Obligation to the City of Edmonds 2021

In 2002, Edmonds Public Facilities District became obligated under an inter-local agreement with the City of Edmonds to apply its receipts of sales tax revenues to the City over the life of the City's Limited General Obligation Bonds issued in 2002. A major portion of the proceeds of that bond issue was used for the acquisition, renovation, and initial operation of a Performing Arts Center by the District.

On October 12, 2012, the City of Edmonds refunded the 2002 Limited Tax General Obligation Refunding Bonds with a face amount of $5,650,000. The 2012 Refunding Bonds and related interest are a liability of the City of Edmonds and are not reported as liability of the District. However, the District remains contractually obligated to the City of Edmonds to continue to apply its sales tax receipts to the City under the Inter-local agreement as per the schedule below. The liability to the City has been appropriately recorded on the District's Statement of Net Position as "Contractual Obligation to the City of Edmonds." The amount of the District's obligation to the City at the date of refunding was $4,965,000 with interest rates ranging from 1.75% to 3.0%, depending on the maturity of each principal installment. The bonds are scheduled to be retired in annual amounts beginning in 2013 and continuing through 2026. These bonds were refunded in 2021 as described in the next paragraph.

In 2021, the District requested that the City of Edmonds refinance the above-noted 2012 bonds with taxable bonds that would reduce principal payments annually and extend annual principal payments until 2041. On November 23, 2021, the 2012 bonds were refinanced by the City of Edmonds with new taxable bonds (2021 Refunding Bonds) with a principal of $2,680,000 with interest rates ranging from 2.0% to 2.6% depending upon the maturity of each principal installment. This transaction required that the 2012 bonds be placed in an escrow with interest payments made until they can be called and paid in December 2022. The related financing and escrow costs of $91,686 were recognized in 2021 as Debt Issuance Costs. On the District's Statement of Net Position, this new bond is shown under "Contractual Obligation to the City of Edmonds.

Issue Name	Interest Rate	Balance 12/31/2022*	Paid in 2022	Balance 12/31/2023*
2021 Refunding Bonds	2.0-2.6%	$ 2,570,000	$ 110,000	$ 2,460,000

*Balance includes both current and long term components

Following is a table which reflects debt service to maturity for the Contractual Obligation to the City of Edmonds (2021 Refunding Bonds):

Year	Principal	Interest	Total
2024	$ 115,000	$ 54,715	$ 169,715
2025	115,000	52,415	167,415
2026	120,000	50,115	170,115
2027	120,000	47,715	167,715
2028-2041	1,990,000	373,978	2,363,978
	$ 2,460,000	$ 578,938	$ 3,038,938

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

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

Liability Description	Balance 12/31/2022*	Additions	Reductions	Balance 12/31/2023*	Due in 2024
Bonds					
Contractual Obligation: City of Edmonds (2021 Refunding Bonds)	2,570,000		(110,000)	2,460,000	115,000
Direct Borrowings					
Note Payable to First Financial Northwest Bank	$ 1,962,672		$ (280,352)	$ 1,682,320	$ 280,352
Loan Payable to the City of Edmonds	1,082,381		(94,684)	987,697	97,000
Net Pension Liability	179,063		(4,247)	174,816	-
Compensated Absences	59,134		(13,383)	45,751	-
Leased Asset Equipment Liability under GASB 87	10,648		(5,711)	4,937	4,937
Total Long-Term Liabilities	$ 5,863,898	$ -	$ (508,377)	$ 5,355,521	$ 497,288

*Balance contains both current and long-term components, if applicable

NOTE 5 - OTHER INCOME

The District received a $500,000 multi-year grant from the Snohomish County Lodging Tax Advisory Committee (LTAC) in FY 2021. The purpose of this grant is to help increase tourism by supporting improvements to the District's facilities and infrastructure. Through this grant program, the District is reimbursed for expenses up to $100,000 each year for five years beginning in 2021 and continuing through 2025. Eligible expenses include ongoing debt service associated with the District's original renovation project in 2006, and/or new maintenance, repairs, and improvements made to the District's facilities during the grant period. In 2021 and 2022, the District allocated the full amount of $100,000 to help service existing debt. In 2023, the District allocated 75% of the funds to help service existing debt and the remainder to help with roofing repairs to the District's facilities.

In the summer of 2022, The District was awarded a $77,780 grant from the Washington Department of Social and Health Services (using Civil Money Penalty fund) to conduct the District's Window to the Arts Program for residents of six skilled nursing facilities in Washington State over a three-year period beginning September 1, 2022. The Window to the Arts Program brings live performances to nursing home residents with the goal of improving the residents' quality of life and addressing isolation. As part of the grant funding, the performances include hiring a Creative Therapist that accompanies the performing artists and provides complementary programming. Following the performances, resident evaluations are reviewed and a debrief with the Creative Therapist along with District Staff and skilled nursing facilities management to address opportunities and challenges and adjust program model before the next cycle of events. For 2023, revenue under this grant totaled $22,879 compared to $10,672 in 2022.

The District received continuing pandemic relief funds in 2023. In May of 2023, a $250,000 allocation of a portion of its American Rescue Recovery Act funds for Edmonds Public Facilities District was received from the Snohomish County Office of Recovery and Resilience. These funds will help the District continue to recover from the impacts of the pandemic on its operations and the hiring of personnel for its return to full operation.

NOTE 6 - PENSION PLANS (PERS)

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ (174,816)
Pension assets	406,370
Deferred outflows of resources	340,009
Deferred inflows of resources	(352,256)
Pension expense/expenditures	(35,077)

Substantially all Edmonds Public Facilities District full-time and qualifying part-time employees participate in either the PERS Plan 1 or the PERS Plan 2/3 under the Washington State Public Employees' Retirement System (PERS). This statewide retirement system is administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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 for PERS Plan 1

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. 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 Plan1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan1 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.

<u>Contributions for PERS Plan 2/3</u>

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

PERS Plan 2/3			
Actual Contribution Rates	**Employer 2/3**	**Employee 2**	**Employee 3**
January – June 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	**10.39%**	**6.36%**	

July – August 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	**9.39%**	**6.36%**	
September – December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	**9.53%**	**6.36%**	

The District's actual PERS plan contributions were $47,402 for PERS Plan 1 and $89,367 for 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 service-based salary increase.
- **Investment rate of return:** 7.0%

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. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

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

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% 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% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	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 Rate 7.0 %	1% Increase 8.0%
PERS 1	$3,189,149,000	$2,282,732,000	$1,491,643,000
0.007658%	244,225	174,816	114,230
PERS 2/3	4,457,809,000	(4,098,683,000)	(11,128,382,000)
0.009915%	441,992	(406,370)	(1,103,379)

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 as follows:

	Liability (or Asset)
PERS 1	$(174,816)
PERS 2/3	$406,370

At June 30, 2023, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	.006431%	.007658%	.001227%
PERS 2/3	.008383%	.009915%	.001532%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023, 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 (Credit)
For the year ended December 31, 2023, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$34,549
PERS 2/3	$ (69,626
Total	$(35,077)

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		$(19,720)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		

Contributions subsequent to the measurement date	$21,340	
TOTAL	$21,340	$(19,720)

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 ended December 31:	PERS 1
2024	$(13,417)
2025	(16,873)
2026	10,404
2027	166
2028	
Thereafter	
Total	$(19,720)

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

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$82,778	$(4,539)
Net difference between projected and actual investment earnings on pension plan investments		(153,145)
Changes of assumptions	170,608	(37,186)
Changes in proportion and differences between contributions and proportionate share of contributions	18,981	(137,666)
Contributions subsequent to the measurement date	46,302	
TOTAL	$318,669	$(332,536)

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 ended December 31:	PERS 2/3
2024	$(93,427)
2025	(112,706)
2026	100,768
2027	19,782
2028	30,241
Thereafter	(4,828)
Total	$(60,170)

ALL PLANS PERS 1 & PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$82,778	$(4,539)
Net difference between projected and actual investment earnings on pension plan investments		(172,865)
Changes of assumptions	170,608	(37,186)
Changes in proportion and differences between contributions and proportionate share of contributions	18,981	(137,666)
Contributions subsequent to the measurement date	67,642	
TOTAL	$340,009	$(352,256)

NOTE 7 - LONG-TERM LEASES UNDER GASB 87

Effective January 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87: Accounting for Leases. This adoption was required for beginning with the year 2022. This accounting standard prescribes accounting policies and principals for accounting for leases where the entity is lessor and for leases where the entity is the lessee. This standard covers leases with a non-cancelable period of at least 12 months. For leases less than 12 months, the prior GAAP standards apply, which specify accrual basis recording of gross revenue for lessors and accrual basis recording of operating expense for lessees.

District as Lessee for Equipment leases:

Under GASB 87, for lessees, upon the beginning date of the lease, the net present value of all future lease payments is determined using a 4% annual discount rate, and such total is recorded as a leased equipment asset with an offsetting leased equipment liability on the balance sheet. As payments are made, based on the net present value calculation schedule, the portion of the payment related to principal reduces the leased equipment liability and the remainder of the payment is recorded as interest expense. Amortization expense is recorded monthly, based on the shorter of the useful life of the leased asset or the length of the lease.

As of December 31, 2023, the District, as lessee, has entered into one equipment lease for a large volume copier in 2019, with the lease expiring in October 2024. The District may extend the lease for an addition 12 months. The monthly lease payment is $503 for the remainder of the term.

For 2023, the leased equipment asset value and related amortization are shown in the following table:

Leased Asset Equipment		Balance 12/31/2022	Additions	Reductions		Balance 12/31/2023
Copier Lease financed by CIT	$	16,135			$	16,135
Accumulated Amortization-Leased Assets		(5,695)	(5,695)			(11,389)
Net Leased Equipment Assets	$	10,440	$ (5,695)	$ -	$	4,745

As of December 31, 2023, future payments by year are shown for the copier lease.

Year Ended December 31		Principal Payments		Interest Payments		Total Payments
2024	$	4,937	$	91	$	5,028
Total	$	4,937	$	91	$	5,028

District as Lessor for Space and Facilities leases:

Under GASB 87, for leases held by lessors, upon the beginning date of the lease, the net present value of all future lease payment receipts is determined using a 3% annual discount rate and such total is recorded as a lease receivable with an offsetting deferred lease revenue amount on the balance sheet. As payment receipts are recorded, based on the net present value calculation schedule, the portion of the payment related to principal reduces the lease receivable and the remainder of the payment is recorded as interest income. Each month, lease operating revenue is recorded and the deferred lease revenue is reduced based on the same net present value calculation schedule.

As of December 31, 2023, the District, as lessor, has entered into four space and facilities leases. The key terms and future payment receipts total by year are shown in the following two tables:

Lessee	Use under Lease	Lease Receivable Balance 12/31/2022	Additions	Reductions	Lease Receivable Balance 12/31/2023	Principal Reductions Due in 2024	Annual Escalation Rate	Lease End Date
Community Christian Fellowship	Theatre, lobby, classrooms on Sundays & religious holidays	$ 557,715		$ (78,913)	$ 478,802	$ 84,189	3.00%	Dec 31, 2028
Stellis Maris Academy	North Classroom	6,700		(6,700)	-		negotiated	May 31, 2023
T-Mobile	Roof space for wireless antenna	22,993		(22,993)	-		3.00%	May 31, 2023
DISH	Roof space for wireless antenna	268,642		(20,480)	248,162	21,748	2.25%	Oct 31, 2032
Rent Receivable valued on net present value basis		$ 856,050	$ -	$ (129,086)	$ 726,964	$ 105,938		

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

Year Ended December 31	Principal Payments	Interest Payments	Total Payments
2024	$ 105,938	$ 20,366	$ 126,304
2025	112,782	17,095	129,877
2026	119,938	13,613	133,551
2027	127,418	9,913	137,331
2028	135,236	5,984	141,220
2029-2032	125,652	7,958	133,610
Total	$ 726,964	$ 74,929	$ 801,893

NOTE 8 - DEPOSIT AND INVESTMENTS

Credit Risk. The District complies with state law which requires all investments of the District's funds be obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool (LGIP), and time certificates of deposit with authorized Washington State banks.

Custodial Credit Risk - Deposits. All District and ECA deposits are insured by Federal Depository Insurance Corporation (FDIC) coverage limits. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category. The FDIC provides separate coverage for deposits held in different account ownership categories. Depositors may qualify for coverage over $250,000 if they have funds in different ownership categories and all FDIC requirements are met. All deposits that an accountholder has in the same ownership category at the same bank are added together and insured up to the standard insurance amount.

Investments. The district is a participant in the Local Government Investment Pool that 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 its 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 an 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 GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of December 31, 2023, the District held $1,010,983 in the LGIP at amortized cost.

NOTE 9 - RISK MANAGEMENT

Edmonds 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 contract for risk management, claims, and administrative services. The Pool was formed on 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 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 policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that apply 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.

The District believes its various property and casualty risks are covered appropriately by its Enduris Membership. The District's summary of Insurance Coverage provided by Enduris for the policy year September 1, 2023, through August 31, 2024 is shown in the below Table:

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.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Property [2]:				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5% of indemnity, subject to 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.

(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.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements above the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims. The Pool is governed by a Board of Directors comprising seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 10 - FINANCIAL CONDITION

The Board of Directors and Management of Edmonds Public Facilities District are confident that the financial condition of the District is stable, and that the strategies outlined in the Management's Discussion and Analysis section of this report will lead to long-term financial stability.

Further, the adopted extension of the Public Facilities District legislation by the State of Washington will conservatively provide an estimated $16 Million in new projected revenue. This new law extends the current legislation establishing and governing Public Facilities Districts, including the related sales tax rebate, by a period of 15 years beyond its original sunset date (2026) to the year 2041. The extension of this funding source will provide the District with several options for re-funding or refinancing long-term debt for capital maintenance, replacement, or improvements.

The District continues to focus on revenue development through new programming, the acquisition of multi-year capital investment grants, continued partnership with the City of Edmonds, expansion of rental activities within the facilities, increased operational and education/outreach grants, and increased contributions from expanding the donor base.

This chart provides a two-year look at actual revenues for Fiscal Years 2022-2023 from these three intergovernmental revenue streams.

Sales Tax Revenue 2022-2023		
Sales Tax Revenue Source:	**2022**	**2023**
State of Washington Direct Sales Tax Rebate	$442,895	$459,618
Snohomish County "Tier 1" Agreement	$353,411	$368,333
Snohomish County "Tier 2" Agreement	$379,888	$436,953
Total:	**$1,176,194**	**$1,264,904**

In FY 2010, the State Auditor's Office began to express concern about the overall financial condition of the District. The 2008 housing crisis and the Great Recession that followed had a devastating impact on the District's non-operating revenues. Non-operating revenues consist primarily of a rebate to the District of a small portion of the sales taxes collected by the State of Washington within the boundaries of the City of Edmonds and Snohomish County. This revenue stream, which had been conservatively projected to increase 3.6% annually, fell by -17% and -9% respectively in 2008 and 2009. The lingering effects of these dramatic reductions in non-operating revenue were felt by the District for more than a decade.

In 2011, the District's sales tax revenue stream (non-operating revenue) began to recover. The average year-over-year growth rate was 8.1% between 2011 and 2021. But despite the strong growth in sales tax revenue during this period, it was not until 2018 that non-operating revenue finally returned to sufficient levels to fully cover non-operating expenses (primarily debt service).

Fiscal Year 2021 marked a critical turning point for the District. In November 2021, in partnership with the City of Edmonds, the District refinanced a significant portion of its long-term debt. Per Washington State Law, the District is required to have a portion of its original capital debt (first issued in 2002) outstanding through the year 2041 in order to continue to qualify to receive the State Sales Tax Rebate. Refinancing this portion of long-term debt and extending the terms to 2041 helped reduce the District's annual debt service by 34%.

As the District's annual debt service has declined, non-operating revenues continue to climb. The District's total direct sales tax revenue grew by 16.1% in 2022 over 2021 and by 7.54% in 2023 over 2022. In 2021, the District also received the first of five annual installments of $100,000 from the Snohomish County Lodging Tax Fund, a multi-year commitment that may be invested in capital maintenance/improvements or debt service as needed. In 2023, the District received its third $100,000 annual installment.

The District's total direct sales tax revenue, net of debt service for the year, showed an excess of $608,000 in 2023 and is projected to exceed $608,000 in 2024. It is anticipated that direct sales tax revenue will continue to grow each year by 3.6% or more. Washington State Law allows the District to invest these funds in the "construction, maintenance, and operation" of its facilities, after meeting debt service requirements. Management is confident that sufficient funds will be available to meet the District's capital and operating needs, and that the Financial Condition of Edmonds Public Facilities District is healthy and will remain so for the foreseeable future.

NOTE 11 – SUBSEQUENT EVENTS

The Board of Directors and Management of Edmonds Public Facilities District have identified and acted upon several opportunities following the close of this reporting period which will help to further strengthen the District's financial position.

- Partnership with the City of Edmonds: In January 2024, the District received operating support from the City of Edmonds in the amount $25,000. Annual operating support from the City validates the importance of the District to the City's continued economic growth and cultural vitality.

- In August 2023, the Executive Director of the District and ECA, relocated to Austin, Texas after serving as Executive Director for 17 years. The District had hired consulting search firm, m/Oppenheim to identify and screen candidates, and provide other transition as needed. After an extensive search, led by the Leadership Transition Team, comprised of District and ECA Board members, and staff, the

District hired a new Executive Director, who started on November 1, 2023. The District and ECA's Associate Executive Director served as Interim Executive Director during the transition.

- As the District continues to strengthen its ticket sales and attendance, noting that advanced ticket sales in 2023 and into 2024 were not as prevalent in comparison to previous seasons, trends in ticket sales and attendance continue to be positive. In 2023, ECA presented 33 presented events that nearly 75% of were sold to capacity.

- In December of 2023, the District was awarded a Washington State Department of Commerce grant in the amount of $25,000. The purpose of the grant was for security improvements for religious and nonprofit facilities for physical security enhancements, target hardening, renovation and repairs to enhance security, and preparedness planning, training or exercises.

- In January of 2024, the District was awarded a Covid Impacts Recovery Grant in the amount of $2,000. Funded by ArtsWA Community Investments, the purpose of the grant is to offer small, one-time grants to Washington businesses in the arts, heritage, and science sectors to provide funding for recovery from pandemic economic impacts.

- In May of 2024, the District was awarded a Community Accelerator Grant in the amount of $7,500. Funded by the Paul G. Allen Family Foundation and administered by ArtsFund, the purpose of the grant is to provide essential capital to Washington's cultural organizations and invest in a stronger, more inclusive and thriving arts and cultural sector.

Note 12 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Up until September of 2021, in response to the pandemic, the District was closed to the public. During that time, many District employees worked remotely, and new procedures were put in place. While some activities were limited or temporarily curtailed, the District continued to operate to sustain continuity for returning to full operations. The District continued to sustain notable economic impacts from the pandemic through the end of the 1st Quarter in 2022. During that period, the District experienced rental cancellations due to COVID-19, staff absences and quarantining due to illness, and ongoing adaptation of its policies with changing guidelines and protocols, local government updates, and adherence to artist contracts.

Through 2022 and 2023, the District still continued to experience economic impacts from the pandemic specifically related to ticket sales and an industry-wide noted change in consumer ticket purchase timing. As the District continues to acclimate to the aftereffects post pandemic, management is monitoring the situation for any operational or financial effects and is ready to respond appropriately as needed.

REQUIRED SUPPLEMENTAL INFORMATION FOR PENSION PLANS

***For 12 month period ending June 30 of the year shown. Until a full 10-year trend is compiled, only information for those years available is presented.**

PERS Plan 1--Schedule of Proportionate Share of the Net Pension Liability for Emonds Public Facilities District								
12 month Period Ending June 30 of the Year Shown	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.007658%	0.006431%	0.003426%	0.007533%	0.006779%	0.006585%	0.006117%	0.005395%
Employer's proportionate share of the net pension liability	$174,816	$78,538	$41,839	$265,955	$260,675	$294,088	$290,256	$289,737
Covered payroll	$1,273,319	$1,217,505	$577,295	$1,042,941	$965,643	$900,485	$832,051	$661,838
Employer's proportionate share of the net pension liability as a percentage of covered payroll	13.73%	6.45%	7.25%	25.50%	26.99%	32.66%	34.88%	43.78%
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%	57.03%

PERS Plan 2/3 -- Schedule of Proportionate Share of the Net Pension Liability for Emonds Public Facilities District								
12 month Period Ending June 30 of the Year Shown	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.009915%	0.004397%	0.004397%	0.009754%	0.008757%	0.008426%	0.008208%	0.690500%
Employer's proportionate share of the net pension liability	$406,370	$835,082	$438,012	$124,748	$85,060	$143,866	$285,189	$347,661
Covered payroll	$1,273,319	$1,217,505	$577,295	$1,042,941	$965,643	$900,485	$832,051	$661,838
Employer's proportionate share of the net pension liability as a percentage of covered payroll	31.91%	68.59%	75.87%	11.96%	8.81%	15.98%	34.28%	52.53%
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%	85.82%

PERS Plan 1 -- Schedule of Employer Contributions for Edmonds Public Facilities District								
12 month Period Ending December of the Year Shown	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$47,402	$46,886	$35,548	$36,244	$54,012	$46,231	$41,117	$34,540
Contributions in relation to the statutorily or contractually required contributions	$47,402	$46,886	$35,548	$36,244	$54,012	$46,231	$41,117	$34,540
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$1,374,682	$1,217,505	$865,059	$756,953	$1,093,650	$913,402	$900,087	$724,116
Contributions as a percentage of covered payroll	-3.45%	-3.85%	-4.11%	-4.79%	-4.94%	-5.06%	-4.57%	-4.77%

PERS Plan 2/3 -- Schedule of Employer Contributions for Edmonds Public Facilities District								
12 month Period Ending December 31 of the Year Shown	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$87,430	$79,655	$59,664	$59,951	$84,504	$68,500	$59,684	$45,112
Contributions in relation to the statutorily or contractually required contributions	$87,430	$79,655	$59,664	$59,951	$84,504	$68,500	$59,684	$45,112
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$1,374,682	$1,217,505	$865,059	$756,953	$1,093,650	$913,402	$900,087	$724,116
Contributions as a percentage of covered payroll	-6.36%	-6.54%	-6.90%	-7.92%	-7.73%	-7.50%	-6.63%	-6.23%

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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