



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Edmonds

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

*Published June 12, 2025*

Report No. 1037488



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

June 12, 2025

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Edmonds January 1, 2023 through December 31, 2023

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

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

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

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

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

## Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Edmonds January 1, 2023 through December 31, 2023

**2023-001 The City did not have adequate internal controls for ensuring compliance with federal requirements for procurement and subrecipient monitoring and it did not comply with federal procurement requirements.**

<b>Assistance Listing Number and Title:</b>	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
<b>Federal Grantor Name:</b>	U.S. Department of the Treasury
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington Department of Commerce
<b>Pass-through Award/Contract Number:</b>	22-96720-210
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### ***Background***

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure.

During 2023, the City spent \$3,622,519 in program funds to cover additional costs it had incurred during the pandemic, including expenditures supporting public health, household utility relief, and direct assistance payments to local businesses and nonprofit organizations financially affected by COVID-19. The program funds also included \$886,240 passed through to two subrecipients to fulfill components of the program's objectives. The portion of program funds the City passed through

to the subrecipients provided emergency assistance to households and college students financially affected by COVID-19.

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

### *Procurement*

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. These procedures must reflect the most restrictive of applicable federal, state or local laws.

When using federal funds to procure goods and services, governments must apply the more restrictive requirements of federal, state or local laws by either obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity. Competitive bidding may be waived in certain circumstances, including via a sole source exemption when the purchase is only available from a single vendor. Governments must document the process and ensure they comply with applicable laws for waiving competitive bidding.

Additionally, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as “piggybacking.” This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking, the entity must enter into an agreement before it purchases services or goods from another entity’s contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.

### *Subrecipient Monitoring*

Whenever the City passes on federal funding to subrecipients, federal regulations require it to monitor subrecipients to ensure they comply with the terms and conditions of the federal award. For these subawards, monitoring would include verifying the subrecipients only provided assistance to participants who met the program eligibility requirements. Subrecipient requirements also require the City to verify whether prior year awardees received an audit if they expended more than \$750,000 in federal awards, and to follow up on any findings issued.

## *Description of Condition*

### *Procurement*

The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative. Additionally, City's policy establishes the micro purchase threshold as \$20,000, which is less restrictive than the federal threshold of \$10,000.

Further, the City piggybacked onto another agency's contract to purchase vehicles and did not retain supporting documentation showing it verified the awarding agency followed applicable procurement requirements before purchasing. It also determined the purchase of a software system to be sole source but did not have documentation showing its rationale and justification for this non-competitive procurement.

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

### *Subrecipient Monitoring*

Our audit found the City did not have internal controls in place to adequately monitor its subrecipients, as federal regulations require. The City awarded program funds to two subrecipients during the audit period and was required to monitor four subrecipients with awards from previous fiscal years in the current audit period. The City did not obtain any documentation from one subrecipient and did not obtain documentation for the final quarter of its agreement with another subrecipient to ensure program participants were eligible for assistance. Further, the City did not determine whether four subrecipients expended more than \$750,000 in federal awards and received an audit when required.

We consider this deficiency in internal controls to be a significant deficiency.

## *Cause of Condition*

### *Procurement*

Procurement activity is decentralized and performed at the department level. The City experienced turnover in positions responsible for updating procurement policies and procuring transactions. City employees involved in these purchases were not provided adequate training to update policies and ensure they understood procurement requirements. As such, City employees were not aware of all federal



requirements involved when piggybacking onto another agency's contract or using exemptions to competitive procurement for sole source purchases.

#### *Subrecipient Monitoring*

The City received a recommendation in the prior audit related to this issue and began changing its procedures. However, due to timing and staff turnover, it was unable to perform and document all portions of subrecipient monitoring requirements for the period under audit.

### ***Effect of Condition***

#### *Procurement*

Without updated written policies and procedures, the City is at an increased risk of not complying with the most restrictive of federal, state or local procurement methods when using federal funds to procure goods and services.

The City did not provide supporting documentation showing the procurement methods used followed all applicable requirements for the purchase of vehicles and a software system totaling \$719,217. Without effective internal controls, the City cannot demonstrate it complied with federal procurement requirements, allowed for full and open competition and received the best price.

#### *Subrecipient Monitoring*

The City did not monitor \$290,647 expenditures for two subrecipients to ensure they complied with the terms and conditions of the subaward and appropriately used federal program funds. Therefore, the City was unable to confirm only eligible participants received assistance.

Further, the City did not adequately monitor four of its subrecipients to verify they received single audits when required. Although the City sent letters to three of these subrecipients to inquire about single audits, it did not follow up with them and it also did not have evidence that it monitored for audits for the other subrecipient. Without verifying the subrecipients received single audits when required, the City would be unaware if any findings were issued relating to program requirements that would require follow-up action.

## ***Recommendation***

We recommend the City strengthen its internal controls to ensure compliance with federal requirements. Specifically, we recommend the City:

- Provide training to employees responsible for updating policies and procurement transactions paid all or in part with federal funds
- Update its written procurement policy to conform to Uniform Guidance requirements (2 CFR § 200.318-327) for all procurement activities
- Ensure all goods and services charged to federal programs are procured in accordance with federal regulations and its own policy
- Verify all subrecipients receive single audits when required and retain sufficient documentation of this verification
- Perform and document sufficient monitoring procedures in accordance with subrecipients' risk to verify they are complying with the terms of the award including providing funding to eligible participants, when applicable

## ***City's Response***

*The City acknowledges the audit findings and recognizes the importance of strengthening internal monitoring practices to ensure full alignment with federal requirements. While there may be additional context to consider regarding the specific circumstances, we appreciate the opportunity to clarify those details and outline the corrective actions that have been taken and are planned.*

### ***Subrecipient No.1 – Edmonds College***

*One of the subrecipients noted in the finding is a public higher education institution operating under the State Board for Community and Technical Colleges (SBCTC). The subrecipient administered the Student Emergency Assistance Grant (SEAG) in accordance with state guidelines that emphasize low-barrier, equity-focused access to emergency aid. These guidelines intentionally discourage requiring extensive documentation from students and instead rely on:*

- *Written applications and student interviews*
- *Internal verification using the college's ctclink student system*
- *Program-level data tracking through financial aid systems*
- *Quarterly reporting to the City, which was submitted*

*Due to FERPA protections, the college was limited in the level of personal data it could share externally without student consent. While this model limited the City's ability to independently audit eligibility at the individual level, it is consistent with*

*the state's recognized approach to supporting systemically disadvantaged students and aligns with SEAG Program principles. The City accepted this structure as appropriate during the agreement period.*

### ***Subrecipient No.2 – Washington Kids in Transition***

*For the second subrecipient, the City followed its standard internal audit process, which includes a quarterly review of 10% of submitted invoices to validate eligibility and ensure federal program compliance. After completing the first-quarter audit, the City identified concerns related to the supporting documentation for certain grant disbursements. In response:*

- The City escalated oversight and required the subrecipient to submit documentation for 100% of invoices from May through July, encompassing both Q2 and Q3.*
- Concurrently, the City became aware that the subrecipient had not initiated or completed a Single Audit for FY2023. Upon learning that the audit would not be submitted by the federal deadline (September 30), the City immediately ceased all grant funding and closed the program.*
- Though additional invoices were received in August and September, the City determined that the heightened audit activity from May through July had addressed the prior concerns. Q3 was considered to have been appropriately audited, and no further audit was conducted for the final period. The City has not resumed any partnership with this entity since September 2024.*
- The subrecipient ultimately declined to obtain the required Single Audit for FY2023 and FY2024.*

### ***Review of Prior Year Subrecipient Audit Requirements***

*As part of the City's monitoring efforts for subrecipients from previous fiscal years, the Deputy Director of Finance at the time requested Single Audit reports directly from the two college subrecipients and was ultimately able to obtain the reports through the Federal Audit Clearinghouse (FAC). While the City does not have documentation to confirm this process, it was discussed during internal meetings that the reports had been reviewed, and this task was considered complete at the time.*

*Of the four subrecipients referenced in the audit, the third was a nonprofit organization for which the Deputy Director reviewed publicly available financial records. Based on that review, it was determined the organization did not meet the \$750,000 federal expenditure threshold and was therefore not subject to a Single*

*Audit. The fourth subrecipient, the entity that did not complete the required audit, was addressed in the corrective actions outlined above.*

### ***Planned and Ongoing Corrective Actions***

*To strengthen subrecipient oversight moving forward, the City is implementing the following corrective actions:*

- Updated Subrecipient Agreements: All future contracts will include specific and detailed language regarding audit thresholds, access to documentation, and monitoring expectations, including reference to Uniform Guidance requirements.*
- Audit Verification Procedures: The City will implement a documented protocol for tracking and verifying Single Audits for any subrecipient receiving \$750,000 or more in federal funds.*
- Monitoring Documentation: The City will maintain written records of all monitoring activities, including eligibility reviews, audit follow-up, and subrecipient communication.*
- Staff Training and Process Improvements: Staff responsible for subrecipient oversight will receive updated training on monitoring standards, documentation expectations, and federal compliance protocols.*

*These actions will be implemented prior to any future program launches involving subawards of federal funds and will also apply to the monitoring of any current active grants. Although no additional funding of this type was issued in 2024, the City will be subject to audit for this period and will ensure compliance with all applicable requirements, including collecting the FY2024 Single Audit reports as required.*

### ***Corrective Action Plan – Procurement***

*The City's Purchasing Policy addresses requirements for "piggybacking" and purchasing through a Cooperative in section 13.0 Interlocal Agreements. However, the City should update the Purchasing Policy section 11.0 Procurement Using Federal Funds to include the same language that specifies the process of Interlocal and Cooperative agreements, or "piggybacking".*

- As stated in the auditor's draft notification, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as "piggybacking". This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking,*

*the entity must enter into an agreement before it purchases services or goods from another entity's contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.*

*To ensure compliance, although the City did confirm that the vendor followed their own bid law requirements, the City will do a better job documenting that verification in any future equipment purchases using federal funding.*

### ***Auditor's Remarks***

We thank the City for its commitment to resolving this issue. We will follow up on the status of this finding during our next audit.

### ***Applicable Laws and Regulations***

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

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

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

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures and requirements for maintaining records sufficient to detail the history of procurement.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by nonfederal entities.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for passthrough entities, establishes the requirements for subrecipient monitoring and management requirements for pass through entities.



## CITY OF EDMONDS

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www.edmondswa.gov

ADMINISTRATIVE SERVICES DEPARTMENT

MIKE ROSEN  
MAYOR

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### City of Edmonds January 1, 2023 through December 31, 2023

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

<b>Audit Period:</b> 2022	<b>Report Ref. No.:</b> 1033990	<b>Finding Ref. No.:</b> 2022-001
<b>Finding Caption:</b> The Edmonds Public Facilities District, a component unit of the City of Edmonds did not have adequate internal controls ensuring accurate reporting of its financial statements.		
<b>Background:</b> 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. The District did not implement GASB Statement No. 87, Leases and as a result, the District underreported its lease receivable, deferred inflows balances and its lease interest revenue and it overstated its rent revenue.		
<b>Status of Corrective Action: (check one)</b> <div><input checked="checked" type="checkbox"/> Fully Corrected</div> <div><input type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div>		
<b>Corrective Action Taken:</b> <i>We acknowledge the audit finding regarding our component unit's failure to implement GASB 87 accounting for leases. Upon receiving the finding, I met with the Executive Director of the District to thoroughly discuss the issue, understand the reasons for non-compliance, and determine the necessary steps to rectify the situation.</i> <i>Cause of Non-Compliance: The primary cause of the non-compliance was a turnover in the district's accounting staff. This turnover led to a significant loss of institutional knowledge and the capacity to train new staff effectively in the implementation of GASB 87.</i>		

*Corrective Actions Taken: Since the audit finding, the district has taken several steps to ensure compliance moving Forward:*

- 1. **Training:** The district has provided comprehensive training to its accounting staff on GASB 87, focusing specifically on lease accounting requirements.*
- 2. **Policy Implementation:** New policies have been established to address and manage lease and subscription accounting in alignment with GASB 87 and related standards.*

***Additional Support Offered:** To further support the district's compliance efforts, I researched and proposed the creation of a subaccount within our Debt Book profile that could assist with the calculation and tracking of leases and subscriptions under GASB 87. This tool was intended as a backup measure to provide additional assurance in maintaining compliance. However, the District decided to utilize its own spreadsheets for this purpose, which they have integrated into their compliance processes.*

***Plan for Year-End 2023:** The District has expressed confidence in their revised processes and tools, which have been designed to ensure compliance with GASB 87 by the year-end 2023. We will continue to monitor their progress and offer support as needed to ensure full compliance and prevent future findings of this nature.*

*Should you require any further information or documentation regarding the steps taken to address this finding, please do not hesitate to contact me.*

## INDEPENDENT AUDITOR'S REPORT

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

#### City of Edmonds January 1, 2023 through December 31, 2023

Mayor and City Council  
City of Edmonds  
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 governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information 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 City's basic financial statements, and have issued our report thereon dated June 10, 2025.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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



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

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

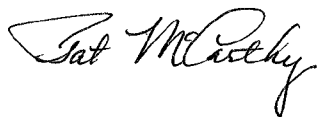
## REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 10, 2025

## INDEPENDENT AUDITOR'S REPORT

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

**City of Edmonds**  
**January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Edmonds, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### Basis for Opinion on Each Major Federal Program

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

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

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

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

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

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

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

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

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

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

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

## City's Response to Findings

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. In the accompanying Schedule of Federal Award Findings and Questioned Costs, we consider the deficiencies described in Finding 2023-001 to be a material weakness and the deficiencies described in Finding 2023-001 to be a significant deficiency.

### **City's Response to Findings**

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

### **Purpose of this Report**

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 10, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### City of Edmonds January 1, 2023 through December 31, 2023

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information 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 City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Edmonds, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street Construction and Edmonds Rescue Plan funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

## **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

### Required Supplementary Information

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

### Supplementary Information

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



## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

June 10, 2025

## FINANCIAL SECTION

### City of Edmonds January 1, 2023 through December 31, 2023

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Activities – 2023

Governmental Funds Balance Sheet – 2023

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2023

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2023

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2023

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Street Construction Fund – 2023

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Edmonds Rescue Plan Fund – 2023

Statement of Net Position – Proprietary Funds – 2023

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2023

Statement of Cash Flows – Proprietary Funds – 2023

Notes to Financial Statements – 2023

#### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Total OPEB Liability and Related Ratios – Firemen's Pension Fund Other Post-Employment Benefits - 2023

Schedule of Changes in the City's Net Pension Liability and Related Ratios – Firemen's Pension Fund – 2023

Schedule of City Contributions – Firemen's Pension Fund – 2023

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,  
LEOFF 2 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2023

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of these statements provides an overview of the City's financial activities for the year ended December 31, 2023. The purpose is to highlight significant financial issues, major financial activities and resulting changes in the financial position and economic factors affecting the City. The reader is encouraged to consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, the City's financial statements and the accompanying notes following the financial information.

### Financial Highlights

- In December 2023, the City of Edmonds passed Resolution 1532 declaring a fiscal emergency. This resolution highlights that while a balanced budget was adopted in December 2022, subsequent budget amendments throughout 2023 led to increased expenses that surpassed sustainable revenue levels, resulting in a structural deficit as defined by Article VIII of the Fund Balance Reserve Policy. In response to this critical situation, in January newly elected Mayor Rosen took immediate action to restore the city's fiscal health by appointing a six-member Blue Ribbon Panel, led by financial consultant Mike Bailey. The panel is charged with providing actionable recommendations to achieve financial recovery and resilience by June 2024, ensuring the long-term stability of Edmonds' finances.
- The City's revenue performance in many areas remained stable in 2023. Sales taxes continued to experience moderate year over year growth, total taxable assessed property values in the City increased by 19 percent over 2022, and the estimated actual value of property decreased by -0.5 percent.
- General Fund expenses increased from \$45.4 million in 2022 to \$55.6 million in 2023, an increase of \$10.2 million or 22.5%. The city has demonstrated a continued commitment to enhancing public safety, evidenced by a significant increase in related spending. In 2022, the city allocated \$26.1 million towards public safety, which was further increased to \$31.0 million in 2023. This increase of \$4.8 million represents an 18.6% rise in public safety spending year-over-year. Additionally, the city boosted its expenditures on general government activities by \$2.7 million, and the city's spending on culture and recreation saw a notable increase of \$1.2 million.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at fiscal year-end by \$248.2 million (net position), an increase of \$8.1 million over 2022. Of this amount, \$172.6 million is a net investment in capital assets. The unrestricted net position totals \$47.9 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals \$27.7 million and is earmarked for debt service, capital projects, special revenue funds and pension costs.
- The City's total net position improved by \$8.1 million in 2023. Governmental activities increased by \$1.7 million and business-type activities increased by \$6.4 million.
- Governmental funds reported a combined ending fund balance of \$24.8 million; a \$10.9 million decrease from the prior year. Of this amount, \$8.6 million is unassigned and available to fund ongoing activities. The committed fund balance category totals \$3.4 million. The 2023 unassigned fund balance equals 16% of 2023 general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information contained in the report is intended to furnish additional detail to support the basic financial statements.

### Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Edmonds as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the city's financial position in a manner like that of the private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect the cash flows until future periods.

The focus of the **Statement of Net Position** is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The **Statement of Activities** presents both the gross and net cost of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity in this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

Governmental activities of the City include general government (executive, finance, legal, human resources, and court), public safety, utilities and environment, transportation, economic environment, mental and physical health, and culture and recreation. The City's business-type activities include water, sewer, and storm utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The City also includes as a discretely presented component unit the Edmonds Public Facilities District (PFD), a performing arts center in Edmonds, and the PFD's blended component unit, the Edmonds Center for the Arts, a non-profit established to collect donations and manage the operations for the PFD. Although legally separate, the PFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

**Fund Financial Statements**

The annual financial report includes fund financial statements in addition to the government-wide statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type, such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Edmonds, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City presents two categories of funds: governmental funds, and proprietary funds.

*Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining which financial resources are available in the short-term to finance City programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Funds' Balance Sheet and the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

Information for the major governmental funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the non-major funds is presented in the aggregate.

The City's main operating fund is the General Fund. However, the City maintains many accounts and several sub-funds within the General Fund. The remaining governmental funds are combined into a single column labeled non-major governmental funds.

The City maintains control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and in accordance with state law. A budgetary comparison is presented for the General Fund as part of the basic financial statements.

*Proprietary funds* account for services for which the City charges outside customers and other City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided primarily to citizens. Internal service funds are used to account for goods and services provided primarily to City departments.

The enterprise fund statements provide information for the City's water, sewer, and storm water utilities. The City uses internal service funds to account for its fleet of vehicles and its technology services and equipment. Because these internal services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found following the governmental fund statements of this report.

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

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pensions and other post-employment benefits. Additional information can be found in Note 10 – Pension Plans and Note 11 – Other Post-Employment Benefits.

### **Government-wide Financial Analysis**

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's financial condition. The following two tables address the financial results of the City as a whole. The first table is a condensed version of the 2023 government-wide statement of net position with a comparison to 2022:

## Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 59,326,765	\$ 71,990,636	\$ 41,322,551	\$ 38,836,254	\$ 100,649,316	\$ 110,826,890
Capital assets, net	102,821,527	93,737,108	132,746,945	131,445,498	235,568,472	225,182,606
Total assets	162,148,292	165,727,744	174,069,496	170,281,752	336,217,788	336,009,496
Deferred outflows of resources	7,268,427	6,989,495	892,747	765,592	8,161,174	7,755,087
Deferred outflows of resources	7,268,427	6,989,495	892,747	765,592	8,161,174	7,755,087
Total assets and deferred outflows of resources	169,416,719	172,717,239	174,962,243	171,047,344	344,378,962	343,764,583
Current liabilities	13,655,555	16,120,820	5,469,669	6,059,137	19,125,224	22,179,957
Noncurrent liabilities	22,727,472	22,498,601	48,388,270	50,255,914	71,115,742	72,754,515
Total liabilities	36,383,027	38,619,421	53,857,939	56,315,051	90,240,966	94,934,472
Deferred inflows of resources	5,015,187	7,783,917	876,416	928,641	5,891,603	8,712,558
Deferred inflows of resources	5,015,187	7,783,917	876,416	928,641	5,891,603	8,712,558
Total liabilities and deferred inflows of resources	41,398,214	46,403,338	54,734,355	57,243,692	96,132,569	103,647,030
<b>NET POSITION</b>						
Net investment in capital assets	90,900,016	93,327,496	81,713,766	76,875,351	172,613,782	170,202,847
Restricted	23,340,393	24,203,885	4,372,023	3,983,194	27,712,416	28,187,079
Unrestricted	13,778,096	8,782,520	34,142,099	32,945,107	47,920,195	41,727,627
Total net position	\$ 128,018,505	\$ 126,313,901	\$ 120,227,888	\$ 113,803,652	\$ 248,246,393	\$ 240,117,553

**Analysis of Net Position**

Total net position (assets and deferred outflows, minus liabilities and deferred inflows) of the primary government was \$248.2 million at December 31, 2023 an improvement of \$8.1 million or 3% compared to December 31, 2022. Governmental activities increased their net position by \$1.7 million and business-type activities increased their net position by \$6.4 million.

The largest component of the City's net position, \$172.6 million, or 69.5%, is its investment in capital assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide ongoing services to residents. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations.

Approximately \$27.7 million of the primary government's total net position is restricted for debt service payments, transportation improvements, pensions, and other purposes, a decrease of \$474,663 compared to 2022. The primary government's December 31, 2023 unrestricted net position totals \$47.9 million, a \$6.2 million increase compared to the previous year.

The December 31, 2023 governmental activities unrestricted net position of \$13.8 million may be used to meet ongoing obligations to residents and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of these resources for future use.

Restricted governmental fund net position is \$23.3 million. Approximately \$12.8 million is restricted for purposes such as public safety, transportation, culture and recreation, and other purposes and \$10.5 million is restricted for pensions.

Unrestricted net position of the City's business-type activities totals \$34.1 million, representing the portion of unrestricted net position that may only be spent on activities related to one of the City's utilities (water, sewer, and storm water). Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, water meter reading, and the wastewater treatment plant.

**Changes in Net Position**

The change in net position represents the increase or decrease in City net position resulting from its various activities. The following table is a condensed version of the City's changes in net position and compares 2023 results with 2022. This table shows program revenues, their respective expenses and the overall changes in net position for both governmental-type and business-type activities:

## Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 11,395,182	\$ 10,366,145	\$ 33,106,863	\$ 30,998,644	\$ 44,502,045	\$ 41,364,789
Operating grants and contributions	3,997,648	4,853,491	35,010	40,700	4,032,658	4,894,191
Capital grants and contributions	9,745,004	5,864,896	929,181	3,290,665	10,674,185	9,155,561
General revenues:						
Property taxes	14,933,195	14,814,499	-	-	14,933,195	14,814,499
Sales taxes	13,038,049	12,605,880	-	-	13,038,049	12,605,880
Interfund utility taxes	2,633,692	2,401,049	-	-	2,633,692	2,401,049
Utility taxes	4,308,787	4,198,886	-	-	4,308,787	4,198,886
Excise taxes	5,399,132	6,459,298	-	-	5,399,132	6,459,298
Interest and investment earnings	2,719,341	(618,323)	1,367,456	(504,589)	4,086,797	(1,122,912)
Miscellaneous	1,232,109	702,366	71,037	261	1,303,146	702,627
Gains on disposition of assets	681,894	295,544	455,034	-	1,136,928	295,544
Total revenues	70,084,033	61,943,731	35,964,581	33,825,681	106,048,614	95,769,412
<b>EXPENSES</b>						
Governmental activities:						
General government	16,193,311	12,779,250	-	-	16,193,311	12,779,250
Public safety	32,514,628	26,922,648	-	-	32,514,628	26,922,648
Utilities and environment	322,549	253,819	-	-	322,549	253,819
Transportation	6,470,925	5,846,088	-	-	6,470,925	5,846,088
Economic environment	2,713,945	1,993,488	-	-	2,713,945	1,993,488
Mental and physical health	86,707	38,676	-	-	86,707	38,676
Culture and recreation	9,832,430	6,095,415	-	-	9,832,430	6,095,415
Interest on long-term debt	247,965	270,922	-	-	247,965	270,922
Business-Type activities:						
Water Fund	-	-	8,232,014	7,393,505	8,232,014	7,393,505
Storm Fund	-	-	5,719,800	4,307,280	5,719,800	4,307,280
Sewer Fund	-	-	15,585,500	13,891,346	15,585,500	13,891,346
Total expenses	68,382,460	54,200,306	29,537,314	25,592,131	97,919,774	79,792,437
Excess (deficiency) before transfers	1,701,573	7,743,425	6,427,267	8,233,550	8,128,840	15,976,975
Transfers	3,031	935	(3,031)	(935)	-	-
Increase (decrease) in net position	1,704,604	7,744,360	6,424,236	8,232,615	8,128,840	15,976,975
Net position - beginning	126,313,901	118,569,541	113,803,652	105,571,037	240,117,553	224,140,578
Net position - ending	\$ 128,018,505	\$ 126,313,901	\$ 120,227,888	\$ 113,803,652	\$ 248,246,393	\$ 240,117,553

**Analysis of the Changes in Net Position**

Net position of the primary government increased by \$1.7 million, resulting from increases to both revenues and expenditures. An increase in capital grants and contributions, interest and investment earnings, and charges for services contributed to the increase in revenues. Of notable concern, the largest increases in revenue were attributed to one-time grants and interest on investments. Governmental taxes increased \$893,409 from 2022 to 2023. However, comparing tax revenue year-over-year increase from 2022 to 2023 and 2021 to 2022, is down 25%. Total expenses increased by \$14.1 million or 26.2% over the prior year. These changes are discussed in more detail below.

**Governmental Activities:**

The table above shows the net position for Governmental activities increased by \$1.7 million, the result of increases in both revenues and expenses compared to 2022. Governmental activity expenses increased by \$14.1 million or 26.2% and Governmental activity revenues increased by \$8.1 million, or 13.1% from 2022 levels.

Below are some significant changes to revenues for 2023:

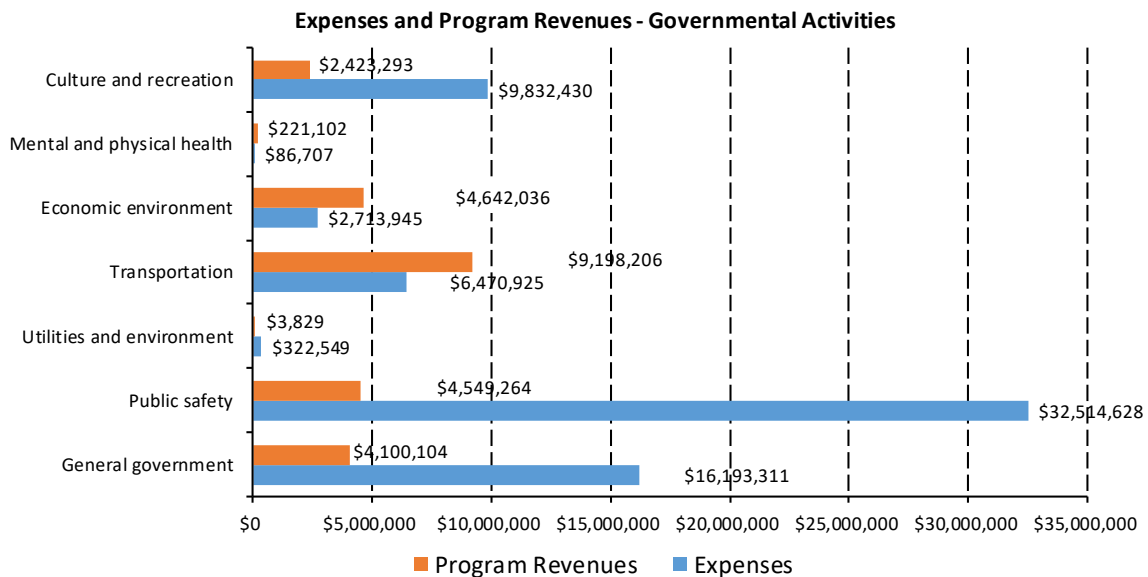
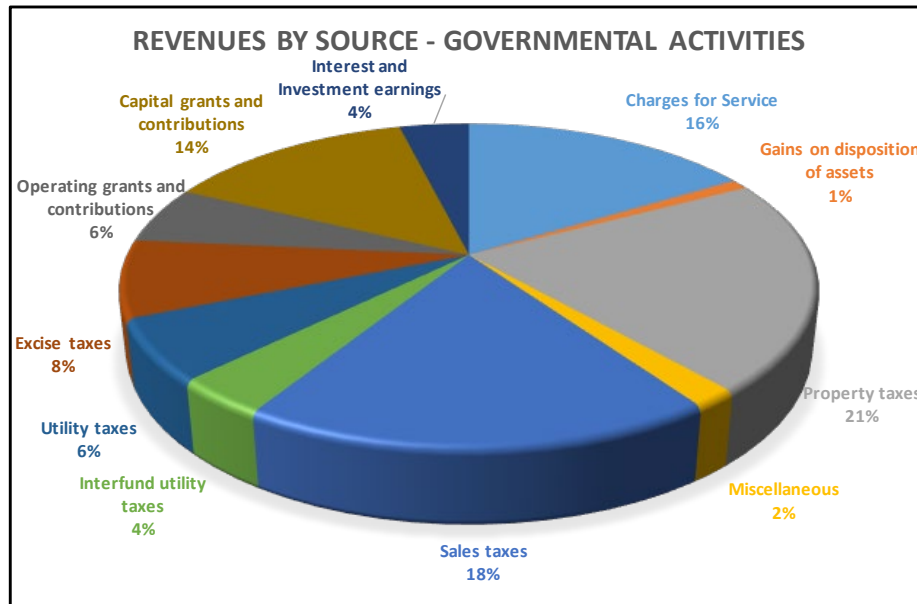
- Capital Grants and Contributions increased by \$3,880,108, or 66.2%.
- Interest and Investment earnings increased by \$3,337,664 or 540%.
- Charges for services increased by \$1,029,037, or 9.9%.
- Sales tax collections increased by \$432,169 or 3.4%.



Below are some significant changes to expenses for 2023:

- Investments in Public Safety increased by \$5,591,980, or 21%.
- Investments in Transportation increased by \$624,837 or 11%.
- Investments in Culture & Recreation increased by \$3,737,015 or 61%.

The next chart displays the government activity revenue by source, while the second one reflects the specific programs' revenues and related expenses for the various activities of the City. Gaps between specific programs' revenues and their related expenditures are funded through general tax revenues.

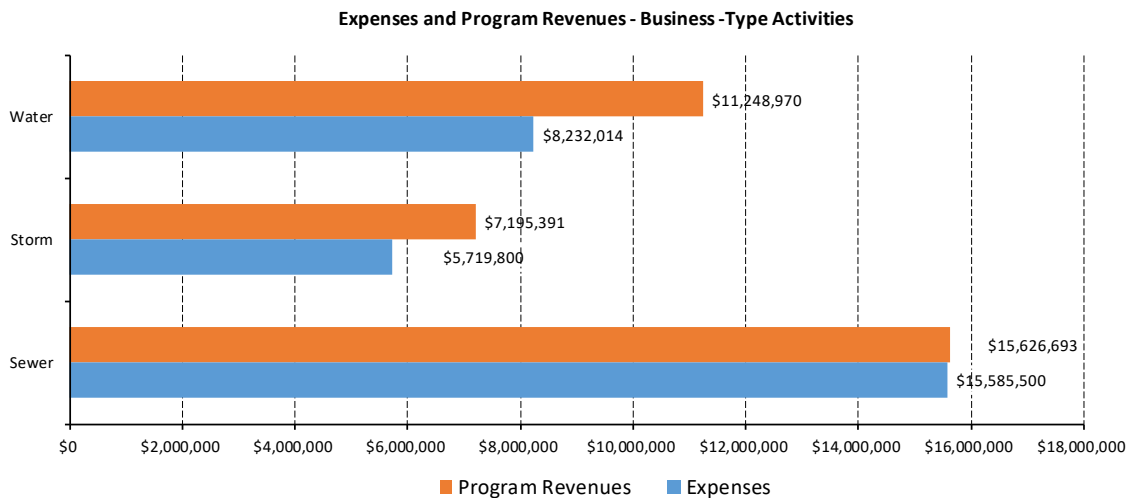


### Business-type Activities:

Business-type activities net position increased by \$6.4 million, or 5.6%, compared to an increase in net position of \$8.2 million the previous year. Multiple factors contributed to this increase, notably including an annual rate increase for each of the City's three utilities. As our business-type activities gradually recover from the pandemic, overall spending on repairs and maintenance, as well as construction projects, slowly returned to a more normal state.

The majority of net position in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, storm water infrastructure, and the wastewater treatment plant. As such, most of the net position is not available to support the ongoing expenses of the funds.

The following chart depicts major sources of revenue for business-type activities:



### Financial Analysis of the City's Funds

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

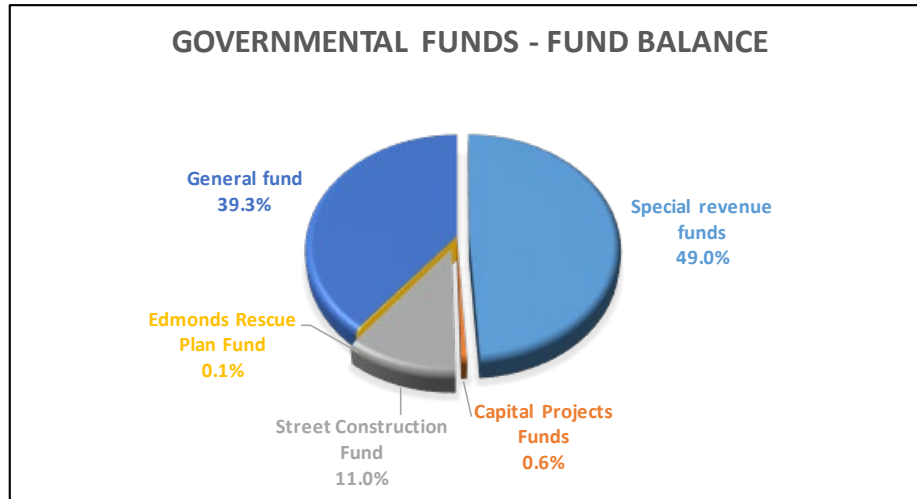
#### Governmental funds

The purpose of the City's governmental funds is to report on near-term revenues/financial resources and expenditures. This information helps determine the City's short-term financial requirements. Specifically, fund balance is a good indicator of the City's financial resources.

As of December 31, 2023, the City's governmental funds had combined fund balances of \$24.8 million, a decrease of \$10.9 million or 30.5% from 2022. Approximately 34.7% or \$8.6 million of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion.

The General Fund, Fund 001, is the primary operating fund of the City. The 2023 fund balance decreased by \$9.6 million or 50.0% from 2022. The City of Edmonds experienced a notable decrease in the General Fund balance from 2022, which raises concerns about the fiscal health of the city. City leadership is actively addressing the structural imbalance between revenues and expenses to ensure long-term financial stability. The fiscal emergency declared in December 2023 remains in effect and will continue until the operating reserve balance in the General Fund is fully restored to the levels dictated by city policy. Efforts are underway to rectify this imbalance and restore the financial resilience of the city. The General Fund unassigned fund balance of \$8.6 million is just 15.5% of 2023 total General Fund expenditures, signaling that the fund has under two months of expenditures in reserve, further indicating financial distress; however, city leadership is actively developing a long-term plan to address these challenges. The remaining \$1 million of the fund balance is committed to indicate that it is not available for new spending because it has already been committed for debt service payments, public safety, transportation, recreation or other purposes.

The following chart shows the relative fund balances for governmental funds:



### Proprietary funds

The City of Edmonds' proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the combined utility funds at the end of the year amounted to \$34.1 million, a \$1.2 million increase over 2022. The change in total net position for the three funds was an \$6.4 million increase.

### General Fund Budgetary Highlights

The City of Edmonds produces an annual budget document to reflect the Council's and the Community's priorities for where City resources should be directed. The budget reflects the City Council's goals of maintaining long-term financial health and stability in the City's General Fund and reserves, while continuing the delivery of high-quality services to citizens.

The original 2023 General Fund expenditure budget of \$56.5 million was amended to include additional appropriations of \$7.7 million. The increase in appropriation was primarily due to the AFSCME and Teamster collective bargaining agreements (CBAs) being settled too late to incorporate contract changes into the budget. These CBAs also dictate cost-of-living adjustments (COLAs) for non-represented employees, all of which account for \$3.6 million of the increase. Additionally, there were budget amendments to support American Rescue Plan Act (ARPA) spending. A comparison of the actual performance of the General Fund revenue on a budgetary basis to the final budget indicates that total budgeted revenues (excluding transfers) exceeded actual revenues by \$6.2 million. This was primarily due to a decrease in charges for services, a result of a change in the way that the City records interfund transfers. Total actual expenditures excluding transfers were under budget by \$8.5 million or 13.4% in the General Fund. The under expenditures are largely due to a change in the way that the city records interfund transfers, as well as significant vacant positions in various departments.

### Capital Asset and Debt Administration

#### Capital Assets

The City of Edmonds' investment in capital assets (net of depreciation) for governmental and business-type activities as of December 31, 2023 amounts to \$172.6 million, an increase of \$14.3 million from 2022. This investment in capital assets includes land and construction in progress, which are not subject to depreciation. Other capital assets, including buildings, improvements other than buildings, infrastructure, machinery and equipment, and intangible assets, are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$102.8 million in 2023, an increase of \$9.1 million from 2022. Business-type capital assets (net of depreciation) totaled \$132.7 million, an increase of \$1.3

million from 2022. In addition to the effects depreciation, these changes are the result of capitalizing construction in progress, and acquisition of machinery and equipment. More information on the City's Capital Assets can be found in Note 9 – Capital Assets and Depreciation.

A summary of the City's capital assets, net of accumulated depreciation, follows:

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/23	As of 12/31/22	As of 12/31/23	As of 12/31/22	As of 12/31/23	As of 12/31/22
(in thousands)						
Land	\$ 18,185	\$ 17,940	\$ 1,257	\$ 1,257	\$ 19,442	\$ 19,197
Building	6,895	6,737	15,345	14,414	22,240	21,151
Improvements other than buildings	30,513	17,733	80,529	77,578	111,042	95,312
Infrastructure	33,701	24,127	-	-	33,701	24,127
Machinery and Equipment	6,106	5,428	370	397	6,476	5,825
Intangible Assets	34	45	47	47	81	92
Right-to-use Lease	362	410	11	15	373	425
Right-to-use Subscription	75	-	-	-	75	-
Construction in Progress	6,950	21,255	35,188	37,715	42,137	58,970
<b>Total</b>	<b>\$ 102,822</b>	<b>\$ 93,675</b>	<b>\$ 132,747</b>	<b>\$ 131,423</b>	<b>\$ 235,568</b>	<b>\$ 225,099</b>

### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$57.9 million. Of this amount, \$11.3 million is general obligation bonds for governmental activities, \$5.5 million is general obligation bonds for business-type activities, and \$41.1 million is revenue bonds for business-type activities for the City-operated utilities. The City currently maintains a rating of AAA for the 2019 and 2021 LTGO Bonds and AA for the 2020 Water and Sewer Revenue Bonds with Standard & Poor's and Aa1 for the 2012 LTGO Bonds and Aa2 for the 2013 and 2015 Water and Sewer Revenue Bonds with Moody's.

The following schedule summarizes the City's long-term debt. For additional detailed information on long-term debt activity please see Notes 12 and 13.

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/23	As of 12/31/22	As of 12/31/23	As of 12/31/22	As of 12/31/23	As of 12/31/22
General Obligation Debt	\$ 11,295,000	\$ 11,845,000	\$ 5,520,000	\$ 6,070,000	\$ 16,815,000	\$ 17,915,000
Revenue Bonds	-	-	41,115,000	41,955,000	41,115,000	41,955,000
Notes from Direct Borrowing	386,979	527,488	1,747,540	2,178,981	2,134,519	2,706,469
<b>Total</b>	<b>\$ 11,681,979</b>	<b>\$ 12,372,488</b>	<b>\$ 48,382,540</b>	<b>\$ 50,203,981</b>	<b>\$ 60,064,519</b>	<b>\$ 62,576,469</b>

### Economic Factors and Future Budgets

Principal factors influencing the City's 2024 budget include property tax increase due to utilizing banked capacity and moderate increase in sales tax revenues, as well as new fines and forfeitures revenue from automated school zone tickets.

The City Council adopted the 2024 budget in late December of 2023. Our budget reflects the goals of the Mayor and City Council. The 2024 budget reveals that expenditures slightly exceed revenues, leading to a depletion of the General Fund's starting balance. City leadership is committed to minimizing expenditures and focusing only on essential items to maintain the community's expected services, while simultaneously devising a plan to restore the city's long-term fiscal health. The 2024 Adopted Budget includes these initiatives:

- \$3,300,000 for the Phase 14 WL Replacement (2024)
- \$3,015,800 for the Nutrient Removal Project
- \$2,005,000 for the Phase 11 Sewer Replacement (2024)
- \$1,425,000 for the 2024 Overlay Program

- \$1,377,000 for the Phase 4 Storm Maintenance Project (2024)
- \$1,290,000 to fund the Hwy 99 Revitalization Stage 3
- \$1,290,000 to fund the Hwy 99 Revitalization Stage 4
- \$948,712 to fund the 76th Ave. W @ 220th St. SW Improvements
- \$904,740 to fund the WWTP Primary Clarifier 2 Rehab
- \$850,000 for the Yost and Seaview Reservoirs Repairs & Upgrades
- \$789,553 to fund the Main St. Overlay from 6th Ave. to 8th Ave
- \$753,950 for the Carbon Recovery Project (Close-out/Hauling)
- \$660,000 for the Bond-Funded Deferred Maintenance Projects
- \$594,390 for the Perrinville Creek Basin Analysis Update
- \$522,000 to fund the Cured in Place Pipe Sewer Rehab Phase 4 (2024)
- \$475,000 for the 2024 Vehicle Replacements
- \$453,370 to fund the Gasification Bypass
- \$426,000 for the Phase 15 WL Replacement (2025)
- \$376,975 for the VFD Upgrades/Replacements
- \$363,000 for the Phase 12 Sewer Replacement (2025)
- \$350,000 for the Storm and Surface Water Comprehensive Plan Update
- \$324,000 for the Phase 5 Storm Maintenance Project (2025)
- \$315,000 to fund the 2024 SD Overlays
- \$300,000 to fund the Edmonds Rescue Plan Fund - Household Support Grants
- \$275,000 for the Lower Perrinville Creek Restoration Project
- \$271,300 for the Mathay Ballinger Upgrade Completion
- \$250,000 for the Yost Park / Shell Creek Study
- \$236,085 for the 2024 Transportation Plan Update
- \$226,185 for the Asset Criticality Ranking and Condition Assessment
- \$225,000 for the 2024 Waterline Replacement Overlays
- \$200,000 for the Sanitary Sewer Model Update
- \$200,000 for the Ballinger Park ILA with MLT

### **Requests for Information**

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. For questions about this report, please contact the Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020.

City of Edmonds  
Statement of Net Position  
December 31, 2023

	Primary Government			Edmonds Public Facilities District
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash & equity in pooled investments	\$ 12,940,747	\$ 13,169,028	\$ 26,109,775	\$ 167,702
Deposits with trustees	9,735	-	9,735	-
Investments	19,067,370	17,067,790	36,135,160	-
Taxes receivable	247,000	-	247,000	-
Customer accounts	695,596	4,913,791	5,609,387	56,336
Leases receivable	166,770	-	166,770	105,938
Court receivable	135,055	-	135,055	-
Other receivable	-	-	-	80,683
Interest on investments	238,829	-	238,829	-
Due from other governments	5,852,146	1,513,699	7,365,845	254,175
Due from component unit	415,350	-	415,350	-
Inventory of materials & supplies	116,278	294,267	410,545	12,756
Prepayments	-	-	-	124,226
Total current assets	39,884,876	36,958,575	76,843,451	801,816
Noncurrent assets:				
Restricted cash and cash equivalents	3,048,516	3,279,631	6,328,147	698,879
Board designated investments in future capital	-	-	-	500,000
Opioid Restricted Receivable	1,152,208	-	1,152,208	-
Leases receivable - long-term	123,909	-	123,909	621,026
Due from component unit - long-term	3,182,697	-	3,182,697	-
Restricted net pension asset	10,545,906	1,084,345	11,630,251	406,370
Investment in joint venture	1,388,653	-	1,388,653	-
Depreciable capital assets (net)	77,686,568	96,302,210	173,988,778	6,200,144
Non Depreciable capital assets	25,134,959	36,444,735	61,579,694	3,542,243
Total noncurrent assets	122,263,416	137,110,921	259,374,337	11,968,662
Total assets	162,148,292	174,069,496	336,217,788	12,770,478
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - Debt refunding	25,856	10,440	36,296	-
Deferred outflows of resources - Pension	7,242,571	882,307	8,124,878	340,009
Total deferred outflows of resources	7,268,427	892,747	8,161,174	340,009
Total assets and deferred outflows of resources	169,416,719	174,962,243	344,378,962	13,110,487
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,913,943	886,791	3,800,734	193,288
Accrued wages	1,627,846	293,003	1,920,849	116,351
Internal balances	(281,772)	281,772	-	-
Due to other governmental units	-	632,482	632,482	-
Other current liabilities	259,839	1,004,052	1,263,891	-
Accrued bond interest payable	28,099	142,186	170,285	4,634
Deposits payable	-	8,048	8,048	110,979
Total other post employment liability	364,032	-	364,032	-
Due within one year	1,879,902	2,221,335	4,101,237	497,289
Unearned Revenue	6,863,666	-	6,863,666	453,802
Total current liabilities	13,655,555	5,469,669	19,125,224	1,376,343
Noncurrent liabilities:				
Pension liabilities	2,673,869	475,615	3,149,484	174,816
Total other post employment liability	5,643,992	-	5,643,992	-
Due in more than one year	14,409,611	47,912,655	62,322,266	4,683,416
Deferred Lease Revenue	-	-	-	-
Total noncurrent liabilities	22,727,472	48,388,270	71,115,742	4,858,232
Total liabilities	36,383,027	53,857,939	90,240,966	6,234,575
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - Leases	292,045	1,093	293,138	726,964
Deferred inflows of resources - Debt refunding	43,375	150,501	193,876	-
Deferred inflows of resources - Pension	4,679,767	724,822	5,404,589	352,256
Total deferred inflows of resources	5,015,187	876,416	5,891,603	1,079,220
Total liabilities and deferred inflows of resources	41,398,214	54,734,355	96,132,569	7,313,795
<b>NET POSITION</b>				
Net investment in capital assets	90,900,016	81,713,766	172,613,782	4,607,434
Restricted for:				
Customer Deposits	-	8,048	8,048	-
Debt Service	-	3,279,630	3,279,630	1,359,424
Public Safety	40,843	-	40,843	-
Transportation	2,739,509	-	2,739,509	-
Economic Environment	225,861	-	225,861	-
Social Services	309,127	-	309,127	-
Culture and Recreation	9,386,347	-	9,386,347	-
Other	92,800	-	92,800	-
Pensions	10,545,906	1,084,345	11,630,251	-
Unrestricted	13,778,096	34,142,099	47,920,195	(170,166)
Total net position	\$128,018,505	\$ 120,227,888	\$ 248,246,393	\$ 5,796,692

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

City of Edmonds  
Statement of Activities  
For the Year Ended December 31, 2023

Page 1 of 2

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 16,193,311	\$ 3,701,722	\$ 77,198	\$ 321,184
Public safety	32,514,628	4,229,913	319,351	-
Utilities and environment	322,549	-	3,829	-
Transportation	6,470,925	394,978	143,275	8,659,953
Economic environment	2,713,945	1,764,114	2,877,922	-
Mental and physical health	86,707	221,102	-	-
Culture and recreation	9,832,430	1,083,353	576,073	763,867
Interest on long-term debt	247,965	-	-	-
Total governmental activities	68,382,460	11,395,182	3,997,648	9,745,004
Business-type activities:				
Water Utility	8,232,014	11,047,634	-	201,336
Storm Utility	5,719,800	6,843,754	35,010	316,627
Sewer Utility	15,585,500	15,215,475	-	411,218
Total business-type activities	29,537,314	33,106,863	35,010	929,181
Total primary government	\$ 97,919,774	\$ 44,502,045	\$ 4,032,658	\$ 10,674,185
<b>Component Unit</b>				
Edmonds Public Facilities District	4,026,227	2,921,286	1,264,904	385,783
Total component unit	\$ 4,026,227	\$ 2,921,286	\$ 1,264,904	\$ 385,783

General revenues  
Property taxes  
Sales taxes  
Interfund utility taxes  
Utility tax  
Excise Taxes  
Interest and investment earnings  
Miscellaneous  
Gains on disposition of assets  
Transfers  
Total General revenues and Transfers  
Change in net position  
Net position - beginning  
Net position - ending

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

Page 2 of 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental	Business-type		Edmonds Public
Activities	Activities	Total	Facilities District
\$ (12,093,207)	\$ -	\$ (12,093,207)	\$ -
(27,965,364)	-	(27,965,364)	-
(318,720)	-	(318,720)	-
2,727,281	-	2,727,281	-
1,928,091	-	1,928,091	-
134,395	-	134,395	-
(7,409,137)	-	(7,409,137)	-
(247,965)	-	(247,965)	-
(43,244,626)	-	(43,244,626)	-
-	3,016,956	3,016,956	-
-	1,475,591	1,475,591	-
-	41,193	41,193	-
-	4,533,740	4,533,740	-
(43,244,626)	4,533,740	(38,710,886)	-
			545,746
			545,746
14,933,195	-	14,933,195	-
13,038,049	-	13,038,049	-
2,633,692	-	2,633,692	-
4,308,787	-	4,308,787	-
5,399,132	-	5,399,132	-
2,719,341	1,367,456	4,086,797	63,670
1,232,109	71,037	1,303,146	-
681,894	455,034	1,136,928	-
3,031	(3,031)	-	-
44,949,230	1,890,496	46,839,726	63,670
1,704,604	6,424,236	8,128,840	609,416
126,313,901	113,803,652	240,117,553	5,187,276
\$ 128,018,505	\$ 120,227,888	\$ 248,246,393	\$ 5,796,692



City of Edmonds  
Balance Sheet  
Governmental Funds  
December 31, 2023

	General Fund	Combined Street Construction Improvement Fund	Edmonds Rescue Plan Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,427,314	\$ (429,864)	\$ 2,975,562	\$ 5,453,425	\$ 10,426,437
Investments	3,144,419	1,492,905	3,926,786	7,185,179	15,749,289
Deposits with trustee	9,735	-	-	-	9,735
Property taxes receivable	247,000	-	-	-	247,000
Customer accounts	694,226	-	-	900	695,126
Interest on investments	47,932	33,471	-	157,426	238,829
Lease Receivable	290,679	-	-	-	290,679
Court Receivable	135,055	-	-	-	135,055
Interfund receivable	281,771	-	-	-	281,771
Due from other governments	2,821,354	2,845,789	-	183,041	5,850,184
Due from component unit	3,597,697	-	-	350	3,598,047
Restricted cash and investments	3,048,516	-	-	-	3,048,516
Restricted Opioid Settlement Receivable	1,152,208	-	-	-	1,152,208
Total assets	<u>\$ 17,897,906</u>	<u>\$ 3,942,301</u>	<u>\$ 6,902,348</u>	<u>\$ 12,980,321</u>	<u>\$ 41,722,876</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,066,254	\$ 1,207,491	\$ 1,750	\$ 509,125	\$ 2,784,620
Wages and benefits payable	1,480,092	-	-	84,482	1,564,574
Other current liabilities	193,551	-	-	66,288	259,839
Unearned revenues	<u>3,621,241</u>	<u>-</u>	<u>6,863,666</u>	<u>-</u>	<u>10,484,907</u>
Total liabilities	<u>6,361,138</u>	<u>1,207,491</u>	<u>6,865,416</u>	<u>659,895</u>	<u>15,093,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - leases	292,045	-	-	-	292,045
Deferred inflows of resources - property taxes	226,656	-	-	-	226,656
Deferred inflows of resources - court receivable	112,128	-	-	-	112,128
Deferred inflows of resources - opioid settlement	<u>1,152,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152,208</u>
Total deferred inflow of resources	<u>1,783,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,783,037</u>
Total liabilities and deferred inflows of resources	<u>8,144,175</u>	<u>1,207,491</u>	<u>6,865,416</u>	<u>659,895</u>	<u>16,876,977</u>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted	74,119	2,734,810	36,932	9,948,627	12,794,488
Committed	1,053,595	-	-	2,371,799	3,425,394
Assigned	-	-	-	-	-
Unassigned	<u>8,626,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,626,017</u>
Total fund balances (deficits)	<u>9,753,731</u>	<u>2,734,810</u>	<u>36,932</u>	<u>12,320,426</u>	<u>24,845,899</u>
Total liabilities and fund balances (deficits)	<u>\$ 17,897,906</u>	<u>\$ 3,942,301</u>	<u>\$ 6,902,348</u>	<u>\$ 12,980,321</u>	<u>\$ 41,722,876</u>

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

City Of Edmonds, Washington  
Reconciliation Of The Balance Sheet To The Statement Of Net Position  
Governmental Funds  
December 31, 2023

Total governmental fund balances as reported on this statement \$ 24,845,899

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. These assets consist of:

Land	\$ 18,185,325	
Construction in progress (\$1,102,202 attributable to internal service funds)	<u>6,949,633</u>	
Subtotal: Non-depreciable capital assets	25,134,958	
Investment in joint venture	1,388,653	
Buildings	25,479,727	
Improvements other than buildings	43,317,798	
Infrastructure	76,270,132	
Machinery and equipment - general government	12,708,014	
Intangible Assets	55,500	
Right-to use lease assets	567,411	
Right-to use subscription assets	120,399	
Less: Accumulated depreciation	<u>(80,832,413)</u>	
Subtotal: Depreciable capital assets	77,686,568	
		104,210,179

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Net Pension Asset (\$241,611 attributable to internal service funds)	10,545,906	
Deferred outflow of resources - bond refunding	25,856	
Deferred outflow of resources - pension (\$195,664 attributable to internal service funds)	7,242,571	
Deferred inflow of resources - leases	292,045	
Deferred inflow of resources - property tax	226,656	
Deferred inflow of resources - court receivable	112,128	
Deferred inflow of resources - opioid settlement	<u>1,152,208</u>	
		19,597,370

Internal service funds are used by management to charge the cost of equipment maintenance to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position. Capital assets of \$4,915,246 are included in the capital asset adjustment above. The construction work in progress, compensated absence liability, and the pension amounts are included in the appropriate categories with a note.

5,758,508

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds	(12,160,083)	
Compensated absences (\$172,785 attributable to internal service funds)	(3,306,502)	
Lease liability (\$2,242 attributable to internal service funds)	(374,774)	
SBITA Liability (\$3,994 attributable to internal service funds)	(61,175)	
Governmental Notes - direct borrowing	<u>(386,979)</u>	
Subtotal: Long-term debt payable	(16,289,513)	
Accrued interest payable	(28,099)	
Total pension liabilities (\$105,975 attributable to internal service funds)	(2,673,869)	
Total other post employment benefit liability	(6,008,024)	
Deferred inflow of resources - leases	(292,045)	
Deferred inflow of resources - bond refunding	(43,375)	
Deferred inflow of resources - pension (\$156,839 attributable to internal service funds)	(4,679,767)	
Unearned revenues reported in the Balance Sheet - Governmental Funds are not reported in the government-wide Statement of Net Position (Note 1)	3,621,241	
		(26,393,451)

Net position of government activities as reported on the statement of net position

\$ 128,018,505

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

City of Edmonds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2023

	General Fund	Combined Street Construction Improvement Fund	Edmonds Rescue Plan Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 35,005,533	\$ -	\$ -	\$ 3,631,288	\$ 38,636,821
Licenses and permits	2,161,139	-	-	110,373	2,271,512
Intergovernmental	2,778,265	8,859,036	1,334,810	1,866,566	14,838,677
Charges for services	3,993,576	323,573	-	352,677	4,669,826
Fines and forfeitures	194,369	-	-	-	194,369
Investment earnings	813,683	209,877	-	1,076,915	2,100,475
Contributions	3,829	-	-	-	3,829
Miscellaneous	821,062	-	(27,656)	346,226	1,139,632
Total revenues	45,771,456	9,392,486	1,307,154	7,384,045	63,855,141
<b>EXPENDITURES</b>					
Current:					
General government	12,964,832	-	1,275,240	-	14,240,072
Public safety	30,963,769	-	-	32,485	30,996,254
Utilities and environment	-	-	-	287,841	287,841
Transportation	-	1,749,621	-	3,777,595	5,527,216
Economic environment	2,910,344	-	59,570	87,523	3,057,437
Mental and physical health	86,707	-	-	-	86,707
Culture and recreation	6,094,214	-	-	979,106	7,073,320
Debt service:					
Principal	331,633	54,058	-	395,341	781,032
Interest	135,132	869	-	277,815	413,816
Capital outlay:					
General government	1,067,878	-	-	-	1,067,878
Public safety	306,149	-	-	-	306,149
Transportation	548,138	7,292,633	-	814,202	8,654,973
Culture and recreation	211,000	-	-	2,685,552	2,896,552
Total expenditures	55,619,796	9,097,181	1,334,810	9,337,460	75,389,247
Excess (deficiency) of revenues over expenditures	(9,848,340)	295,305	(27,656)	(1,953,415)	(11,534,106)
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease Contracts	159,242	-	-	6,137	165,379
Proceeds from sale of capital assets	-	-	-	3,400	3,400
Insurance Recoveries	557,480	-	-	-	557,480
Transfers in	72,066	-	-	897,017	969,083
Transfers out	(520,757)	-	-	(536,052)	(1,056,809)
Total other financing sources (uses)	268,031	-	-	370,502	638,533
Net change in fund balances	(9,580,309)	295,305	(27,656)	(1,582,913)	(10,895,573)
Fund balances - beginning	19,334,040	2,439,505	64,588	13,903,339	35,741,472
Fund balances - ending	\$ 9,753,731	\$ 2,734,810	\$ 36,932	\$ 12,320,426	\$ 24,845,899

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

City Of Edmonds, Washington  
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In  
Fund Balances Of Government Funds To The Statement Of Activities  
For The Year Ended December 31, 2023

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance \$ (10,895,573)

Amount reported as change in net position in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is exceeded by depreciation and amortization in the current period.

Capital outlays	\$ 13,248,543	
Current year depreciation	(3,534,416)	
Adjustment in investment in joint venture	369,337	
		10,083,464

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred inflows of resources - property taxes	40,775	
Deferred inflows of resources - opioid settlement	543,544	
PFD Debt Service	(111,599)	
Other unearned revenue	(2,874)	
LEOFF 2 Pensions	248,205	
Court receivable	(49,494)	
		668,556

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

Amortization of Bond Refunding	52,688	
Lease contract	(159,242)	
Long-term debt repayments	690,509	
Lease payments	140,065	
		724,021

Internal service funds are used by management to charge the costs of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. 1,413,097

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest Expense	1,821	
Loss on Sale of Assets	(1,954,123)	
Interest Expense for the PFD	56,914	
Total pension obligation	2,120,150	
Accrued compensating absence expense	(513,723)	
		(288,961)

Change in net position on the Statement of Activities	\$ 1,704,604
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The notes to the financial statements are an integral part of this statement.

City of Edmonds  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 36,051,302	\$ 36,686,302	\$ 35,005,533	\$ (1,680,769)
Licenses and permits	2,523,350	2,619,350	2,161,139	(458,211)
Intergovernmental	2,630,135	4,572,104	2,778,265	(1,793,839)
Charges for services	6,657,444	6,757,444	3,993,576	(2,763,868)
Fines and forfeitures	352,350	402,350	194,369	(207,981)
Investment earnings	373,940	373,940	813,683	439,743
Contributions	-	-	3,829	3,829
Miscellaneous	1,420,750	564,750	821,062	256,312
Total revenues	50,009,271	51,976,240	45,771,456	(6,204,784)
EXPENDITURES				
Current:				
General government	16,315,979	19,453,005	12,964,832	6,488,173
Public safety	29,670,892	31,464,648	30,963,769	500,879
Transportation	5,000	5,000	-	5,000
Economic environment	3,662,443	4,095,575	2,910,344	1,185,231
Mental and physical health	80,985	80,985	86,707	(5,722)
Culture and recreation	6,317,939	6,891,584	6,094,214	797,370
Total current	56,053,238	61,990,797	53,019,866	8,970,931
Debt service:				
Principal	191,620	241,620	331,633	(90,013)
Interest	131,970	131,970	135,132	(3,162)
Total debt service	323,590	373,590	466,765	(93,175)
Capital outlay:				
General government	-	1,835,565	1,067,878	767,687
Public safety	-	-	306,149	(306,149)
Transportation	-	-	548,138	(548,138)
Culture and recreation	90,000	(758)	211,000	(211,758)
Total capital outlay	90,000	1,834,807	2,133,165	(298,358)
Total expenditures	56,466,828	64,199,194	55,619,796	8,579,398
Excess (deficiency) of revenues over expenditures	(6,457,557)	(12,222,954)	(9,848,340)	2,374,614
OTHER FINANCING SOURCES (USES)				
Lease Contracts	-	-	159,242	159,242
Insurance Recoveries	-	500,000	557,480	57,480
Transfers in	225,000	772,592	72,066	(700,526)
Transfers out	(863,000)	(1,457,740)	(520,757)	936,983
Total other financing source (uses)	(638,000)	(185,148)	268,031	453,179
Net change in fund balances	(7,095,557)	(12,408,102)	(9,580,309)	2,827,793
Fund balances - beginning	20,796,004	18,684,278	19,334,040	649,762
Fund balances - ending	\$ 13,700,447	\$ 6,276,176	\$ 9,753,731	\$ 3,477,555

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

City of Edmonds  
STREET CONSTRUCTION FUND  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 7,071,025	\$ 11,098,300	\$ 8,859,036	\$ (2,239,264)
Charges for services	1,000,000	1,000,000	323,573	(676,427)
Investment earnings	64,390	64,390	209,877	145,487
Miscellaneous	-	-	-	-
Total revenues	8,135,415	12,162,690	9,392,486	(2,770,204)
<b>EXPENDITURES</b>				
Current:				
Transportation	548,215	1,925,950	1,749,621	176,329
Total current	548,215	1,925,950	1,749,621	176,329
Debt service:				
Principal	54,070	54,070	54,058	12
Interest	880	880	869	11
Total debt service	54,950	54,950	54,927	23
Capital outlay:				
Transportation	6,439,145	9,120,145	7,292,633	1,827,512
Total capital outlay	6,439,145	9,120,145	7,292,633	1,827,512
Total expenditures	7,042,310	11,101,045	9,097,181	2,003,864
Excess (deficiency) of revenues over expenditures	1,093,105	1,061,645	295,305	(766,340)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	172,650	204,110	-	(204,110)
Transfers out	(172,650)	(172,650)	-	172,650
Total other financing source (uses)	-	31,460	-	(31,460)
Net change in fund balances	1,093,105	1,093,105	295,305	(797,800)
Fund balances - beginning	2,669,390	2,439,505	2,439,505	-
Fund balances - ending	\$ 3,762,495	\$ 3,532,610	\$ 2,734,810	\$ (797,800)

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

City of Edmonds  
EDMONDS RESCUE PLAN FUND  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,249,000	\$ 1,879,000	\$ 1,334,810	\$ (544,190)
Miscellaneous	-	-	(27,656)	(27,656)
Total revenues	<u>1,249,000</u>	<u>1,879,000</u>	<u>1,307,154</u>	<u>(571,846)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,159,000	1,789,000	1,275,240	513,760
Community Services	90,000	90,000	59,570	30,430
Total current	<u>1,249,000</u>	<u>1,879,000</u>	<u>1,334,810</u>	<u>544,190</u>
Total expenditures	<u>1,249,000</u>	<u>1,879,000</u>	<u>1,334,810</u>	<u>544,190</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(27,656)</u>	<u>(27,656)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(27,656)	(27,656)
Fund balances - beginning	44,888	64,588	64,588	-
Fund balances - ending	<u>\$ 44,888</u>	<u>\$ 64,588</u>	<u>\$ 36,932</u>	<u>\$ (27,656)</u>

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

City of Edmonds  
Statement of Net Position  
Proprietary Funds  
December 31, 2023

	421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,169,028	\$ 2,514,311
Investments	17,067,790	3,318,082
Customer accounts	4,913,791	470
Due from other governments	1,513,699	1,963
Inventory	294,267	116,278
Total current assets	<u>36,958,575</u>	<u>5,951,104</u>
Noncurrent assets:		
Restricted cash and investment	3,279,631	-
Pension Assets	1,084,345	241,611
Land	1,257,107	-
Property, plant and equipment (net)	96,244,484	4,861,159
Construction in progress	35,187,628	1,102,202
Intangible assets (net)	57,726	54,087
Total noncurrent assets	<u>137,110,921</u>	<u>6,259,059</u>
Total assets	<u>174,069,496</u>	<u>12,210,163</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources -refunding	10,440	-
Deferred outflows of resources - pension	882,307	195,664
Total deferred outflows of resources	<u>892,747</u>	<u>195,664</u>
Total assets and deferred outflows of resources	<u>174,962,243</u>	<u>12,405,827</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	886,791	129,323
Wages and benefits payable	293,003	63,272
Interfund payables	281,772	-
Due to other governmental units	632,482	-
Other current liabilities	1,012,100	-
Interest payable	142,186	-
Compensated absences - current	169,143	33,984
SBITA Payable - current	-	3,994
Leases - current	3,375	699
Loans payable - current	434,319	-
Revenue bonds payable-current	882,927	-
G.O. bonds payable - current	731,571	-
Total current liabilities	<u>5,469,669</u>	<u>231,272</u>
Noncurrent liabilities:		
Pension liabilities	475,615	105,975
Compensated absences - long-term	266,403	138,801
Leases - long-term	7,953	1,543
Loans payable - long-term	1,313,223	-
Revenue bonds payable - long-term	40,324,078	-
G.O. bonds payable - long-term	6,000,998	-
Total noncurrent liabilities	<u>48,388,270</u>	<u>246,319</u>
Total liabilities	<u>53,857,939</u>	<u>477,591</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - leases	1,093	-
Deferred inflows of resources - refunding	150,501	-
Deferred inflow of resources - pension	724,822	156,839
Total deferred inflows of resources	<u>876,416</u>	<u>156,839</u>
Total liabilities and deferred inflows of resources	<u>54,734,355</u>	<u>634,430</u>
<b>NET POSITION</b>		
Net investment in capital assets	81,713,766	6,017,448
Restricted for:		
Customer Deposits	8,048	-
Debt Service	3,279,630	-
Pensions	1,084,345	241,611
Unrestricted	34,142,099	5,512,338
Total net position	<u>\$ 120,227,888</u>	<u>\$ 11,771,397</u>

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



City of Edmonds  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$32,955,664	\$3,721,816
Other operating revenue	151,199	2,497
Total operating revenues	<u>33,106,863</u>	<u>3,724,313</u>
<b>OPERATING EXPENSES</b>		
Personnel services	8,838,978	1,239,994
Operations and maintenance	12,929,013	1,367,355
Professional services	1,269,205	44,656
Insurance	621,129	52,373
Depreciation	3,558,662	658,836
Total operating expenses	<u>27,216,987</u>	<u>3,363,214</u>
Operating income (loss)	<u>5,889,876</u>	<u>361,099</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental	35,010	398,382
Investment earnings	1,367,456	440,199
Judgments and settlements	526,070	98,206
Gain (loss) on sale of capital assets	(707,859)	24,635
Interest expense	<u>(1,612,467)</u>	<u>(184)</u>
Total nonoperating revenues (expenses)	<u>(391,790)</u>	<u>961,238</u>
Income (loss) before contributions and transfers	5,498,086	1,322,337
Capital grants and contributions	929,181	-
Transfers In	-	90,757
Transfers Out	<u>(3,031)</u>	<u>-</u>
Change in net position	6,424,236	1,413,094
Total net position - beginning	113,803,652	10,358,303
Total net position - ending	<u>\$ 120,227,888</u>	<u>\$ 11,771,397</u>

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

City of Edmonds  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 33,874,787	\$ 3,655,702
Payments to employees	(9,195,688)	(1,214,824)
Payments to suppliers	(15,549,419)	(1,526,074)
Net cash provided (used) by operating activities	<u>9,129,680</u>	<u>914,804</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grant income	35,010	-
Proceeds of refunding debt	-	-
Net cash provided (used) by noncapital financing activities	<u>35,010</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Gain from the sale of capital assets	-	59,853
Judgments and settlements	526,071	98,206
Acquisition and construction of capital assets	(5,590,071)	(2,024,909)
Capital grants and contributions	929,181	398,382
Operations and maintenance	-	-
Principal payments on debt	(1,980,938)	-
Interest payments on debt	(1,632,333)	(184)
Transfers to other funds	(3,031)	-
Transfer in from other funds	-	90,757
Net cash provided (used) by capital and related financing activities	<u>(7,751,121)</u>	<u>(1,377,895)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	1,367,458	462,848
Purchase of investments	3,012,421	1,838,818
Net cash provided (used) by investing activities	<u>4,379,879</u>	<u>2,301,666</u>
Net increase (decrease) in cash and cash equivalents	5,793,448	1,838,575
Balances - beginning of year	10,655,211	675,736
Balances - end of the year	<u>\$ 16,448,659</u>	<u>\$ 2,514,311</u>

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

City of Edmonds  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating Income	\$ 5,889,874	\$ 361,099
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,558,662	658,836
Changes in assets and liabilities:		
Customer Receivables	767,925	(68,611)
Accounts Payable - Supplier	(730,071)	(61,690)
Payroll Liabilities	(356,710)	25,170
Net cash provided (used) by operating activities	<u>\$ 9,129,680</u>	<u>\$ 914,804</u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City of Edmonds was incorporated in 1890 and operates under the laws of the state of Washington applicable to cities. Edmonds operates with a Council/Mayor form of government. Both the Mayor and Council are elected to four-year terms. The City provides a full range of general government services including public safety; streets; parks and recreation; human services, planning and zoning; permits and inspection; general administration; and water, sewer, storm water and wastewater treatment utilities.

As required by Generally Accepted Accounting Principles the financial statements present the City of Edmonds, the primary government, and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

**Discretely Presented Component Unit**

On April 24, 2001 the Edmonds City Council formed the Edmonds Public Facilities District (PFD) via Ordinance 3358, under the authority provided by RCW 35.57. The purpose of the PFD is to construct and operate a regional arts center in the City of Edmonds, defined by RCW 35.57 as a conference, convention or special events center, along with related parking. A five-member board governs the PFD and is appointed to four-year terms by the Edmonds City Council. The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts.

In 2002 the City issued Limited Tax General Obligation Bonds in the amount of \$7,015,000 for the acquisition, renovation and remodeling of a Performing Arts Center. The City transferred the proceeds of this issuance to the PFD. The City refinanced these bonds in 2012, and in 2021 refinanced the remaining \$2.585 million of these bonds. These bonds are a debt of the City and not the PFD; however, the PFD is obligated by inter-local agreement to pay the debt service over the life of the bonds.

For more information on the Edmonds Public Facility District see Note 12, Long-Term Debt. Separate financial statements can be obtained from the Edmonds Center for the Arts, c/o Lori Meagher, 410 Fourth Avenue N., Edmonds, WA 98020.

**Joint Ventures**

The City of Edmonds participates in two separate joint ventures:

**Snohomish County 911**

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

In the event of the dissolution of Snohomish County 911, any money in the possession of

Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred shall be returned to the parties to this agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five years bears to the total of all then remaining Principals' User Fees paid during the five-year period. Before deducting the payment of all costs, expenses, and charges validly incurred, the City of Edmonds share was \$1,388,653 on December 31, 2023.

Snohomish County 911's 2023 operating budget was \$28,409,308, operating revenues received were \$29,310,607, and total operating expenditures were \$27,824,076. Complete financial statements for Snohomish County 911 can be obtained from their administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

#### The Alliance for Housing Affordability (AHA)

In September 2013, the City of Edmonds joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May 2014 to add the City of Arlington and in June 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by member cities.

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

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

Fiscal Year Ending 6/30	AHA's Total Fiscal Year Budget	Edmonds Share of Budget	Edmonds Share as % of Total AHA Budget
2014	\$89,849	\$2,385	2.7%
2015	\$93,063	\$2,457	2.6%
2016	\$93,652	\$2,381	2.5%
2017	\$97,934	\$3,518	3.6%
2018	\$102,586	\$3,841	3.7%
2019	\$107,391	\$4,120	3.8%
2020	\$112,408	\$4,344	3.9%
2021	\$117,673	\$4,368	3.7%
2022	\$118,200	\$4,361	3.7%
2023	\$135,522	\$4,458	3.3%
2024	\$157,674	\$5,610	5.4%

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

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4<sup>th</sup> Ave W, Everett WA 982014 or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4<sup>th</sup> Ave W, Everett WA 98204.

## **B. Basis of Presentation – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The City reports three major governmental funds, the *General Fund*, the *Street Construction Fund*, and the *Edmonds Rescue Plan Fund*. The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The Street Construction Fund is used for transportation improvement projects funded by a variety of sources. The Edmonds Rescue Plan Fund is a Special Revenue Fund, created to accept and administer federal funds in accordance with the federal CARES Act guidelines and the American Rescue Plan Act (ARPA). The City also reports one major enterprise fund. The *Combined Utility Fund* accounts for all maintenance, construction, and debt service requirements associated with the City's water, sewer, and stormwater systems.

The City reports two Internal Service Funds. The *Equipment Rental Fund* accounts for the cost of maintaining the City's vehicle fleet. The *Technology Rental Fund* accounts for the cost of Information Technology equipment repair and replacement.

## **C. Measurement Focus, Basis of Accounting**

### Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes, sales taxes, natural gas taxes and Hotel/Motel excise taxes as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

#### Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Utility Funds are charges to customers for sales and service. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include operating and maintenance costs; employee salaries and benefits; contracted services; insurance; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **D. Budgetary Information**

#### Scope of Budget

Annual appropriated budgets are adopted for the general fund and special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Budgets for the General Fund and Special Revenue Funds are adopted at the Fund level. Purely as a management tool, budgets are broken out by department, activity and expense types.

Appropriations for the General and Special Revenue funds lapse at year-end, except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

#### Amending the Budget

The Mayor is authorized to transfer budgeted amounts between departments or between object classes within any department. Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the Council determines that it is in the

best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by supplemental appropriations and other legally authorized changes applicable for the fiscal year.

## **E. Assets, Liabilities, Fund Balance, Net Position**

### Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. The city considers all highly liquid assets, including investments in the Washington State Local Government Investment Pool, the Snohomish County Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds. For purposes of the statement of cash flows, the city considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For more information on investments, see Note 3, *Deposits and Investments*.

### Receivables

Tax receivables consist of property taxes and related interest and penalties (See Note 4, *Property Taxes*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

### Amounts Due To/From Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 7, *Interfund Activity*.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### Inventories

Inventories are assets that are held for internal consumption. Internal service fund inventories are expensed when purchased. No inventory is maintained in Governmental Funds. The combined utility fund inventories are expensed as consumed, using the first-in, first-out valuation method, which approximates market.

### Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 12, *Long-Term Debt* and certain cash and investments have been classified as restricted assets on the Statement of Net Position in accordance with utility bond resolutions, state law, or for other purposes. When both restricted and



unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost that meets or exceeds \$5,000, and an estimated useful life in excess of one year. Infrastructure assets are capitalized when their cost meets or exceeds \$50,000, and repairs or replacements to components of the Wastewater Treatment Plant are capitalized when their cost meets or exceeds \$100,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase an asset's value, capacity, or materially extends its useful life. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land, permanent artwork, and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight-line method using varying estimated service lives for individual assets and asset classifications, depending on particular characteristics of an asset and factors surrounding its anticipated use. See Note 9 for additional information regarding capital assets.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

<u>Asset Type</u>	<u>Est. Service Life (Years)</u>
Buildings	30–50
Improvements other than Buildings	20–40
Furniture and fixtures	5–10
Cars	5–10
Vans, Trucks, Trailers	5–20
Data Processing Equipment	3–10
Infrastructure	20–100
Sidewalks	30
Machinery and Equipment	5–20
Intangible Assets	20–30

#### Leases

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

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

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

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

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

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

Lessor: The city is a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line method. Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

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

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The city has two items that qualify for reporting in this category: 1) deferred gains on refunding and 2) pensions. Deferred gains on refunding reported in the statement of net position result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions and affects both assets and liabilities. The City's fiscal year ends on December 31, while the State's fiscal year ends on June 30. This causes the recognition periods for pension contributions to not match, resulting in the recognition of Deferred Outflows and Deferred Inflows to account for the City's pension contributions.

In addition to liabilities, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period. The City has four items that qualify for reporting in this

category: 1) unavailable property taxes recorded as receivables, 2) unavailable court fees recorded as a receivable, 3) deferred losses on refunding, and 4) pensions and other post-employment obligations, as explained above.

#### Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave, and holiday earned by police employees, according to the terms of union contracts or per RCW. Also included is compensatory time earned in lieu of overtime. All such compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements, and are payable upon termination, retirement or death. Compensated absences including payroll taxes are reported as a current liability on the balance sheet. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is estimated using the termination method provided by GASB Statement No. 16.

#### Pensions

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

#### Other Accrued Liabilities

Retainage represents amounts withheld from contractors' progress payments as a financial incentive to ensure project completion and are booked as other accrued liability. In addition to retainage, other accrued liabilities include various obligations the city must remit to the state. An example of this is the state's portion of revenue generated from concealed weapon permit fees which the city collects on behalf of the state and is required to remit periodically.

#### Unearned Revenues

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

#### Fund Balance Classification

The difference between fund Assets and Deferred Outflows of Resources, minus its Liabilities and Deferred Inflows of Resources, is referred to as Net Position on the government-wide, proprietary, and fiduciary fund statements, and as Fund Balance on the governmental fund statements. The fund balance amounts for governmental funds are classified in accordance with GASB Statement No. 54, and are reported as non-spendable, restricted, committed, assigned, or unassigned.

- *Non-spendable* fund balance represents amounts that are either not in a spendable form (e.g. inventories or prepaid balances) or are legally or contractually required to remain intact.
- *Restricted* fund balances include amounts that are subject to restrictions that are legally enforceable by outside parties. This includes resources raised through enabling legislation.
- *Committed* fund balances include amounts that are limited by resolution of the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.
- *Assigned* fund balances include amounts that are limited by the Mayor or department Directors for an intended use, but are neither restricted nor committed. This type of

limitation can be imposed by the highest level of decision making within the City, but little or no formal action is required to modify or eliminate those limitations.

- *Unassigned* fund balance is the residual amount of the general fund not included in the four categories described above. Also, negative fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted fund balances are available for use, the City considers restricted fund balance to have been spent first. When committed, assigned, or unassigned fund balance amounts are available for use, the City considers committed fund balance to be spent first, assigned fund balance second, and unassigned fund balance last.

## **F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

Reporting Changes – Effective for fiscal year 2023 reporting, the City adopted the following new Standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. Effective January 1, 2023, the city adopted this statement using the facts and circumstances that existed at the beginning of the period of implementation.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

Investments are presented in the financial statements at fair value based on quoted market prices. The City's position in the State Local Government Investment Pool is the same as the value of the pool shares. Pool investments are reported as Cash and Cash Equivalents. Interest earned on the pooled investments is allocated to individual funds based on that fund's cash balance at the end of each month. The City holds most investments to maturity. Interest earnings are recognized in the period in which they become available and measurable. Cash and equity in pooled investments are comprised of both government-type and business-type activities. The balances are comprised of the following:

	December 31, 2023
Deposits with US Bank	\$ 4,680,641
Petty Cash/Change Funds	4,100
Local Government Investment Pool	24,704,665
Snohomish County Investment Pool	15,981,376
Certificates of Deposit	3,048,516
Treasury Obligations	979,414
US Government Agency Securities	18,979,239
Municipal Securities	195,130
	<u>\$ 68,573,081</u>

**Interest rate risk.** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy manages the exposure to declines in fair values by limiting the average of maturity of its portfolio to no more than three and one half years, unless an investment is matched to an anticipated future cash flow.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Fair Value	Twelve Months or Less	Twelve Months to Two Years	Two Years to Three Years	Three Years to Seven Years	Credit Rating
Treasury Obligations	\$ 979,414	\$ -	\$ 979,414	\$ -	\$ -	Aaa/AA+
US Government Agency Securities	18,979,239	7,897,515	3,962,675	7,119,049	-	Aaa/AA+
Municipal Securities	195,130	195,130	-	-	-	Aaa/AA+
Certificates of Deposit	3,048,516	3,048,516	-	-	-	Not Rated
Local Government Investment Pool	24,704,665	24,704,665	-	-	-	Not Rated
Snohomish County Investment Pool	15,981,376	-	15,981,376	-	-	Not Rated
	<u>\$ 63,888,340</u>	<u>\$ 35,845,826</u>	<u>\$ 20,923,465</u>	<u>\$ 7,119,049</u>	<u>\$ -</u>	

**Credit risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits the instruments in which the City may invest. The City is empowered to invest in the following types of securities:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- U.S. Treasury securities maturing in less than ten years;
- Fully insured or collateralized certificates of deposit, and other evidences of deposit, at qualified financial institutions that are approved by the Washington Public Deposit Protection Commission;
- Banker's Acceptances, and commercial paper rated in the highest tier by a nationally recognized rating agency;
- Investment grade obligations of state and local governments and public authorities located within the State of Washington; and
- Local government investment pools, either state administered or through joint powers statutes and other intergovernmental agreement legislation.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from the active pool

participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk and is recorded as a cash equivalent. The pool is unrated by financial rating agencies. Investments are reported at their amortized cost basis to pool participants, which approximates fair value. The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting.

The Snohomish County Investment Pool (SCIP) is not registered with the SEC. Investments are reported at fair value to the participants. It includes participating funds from the County's primary government and funds from the districts where the County Treasurer serves as *ex-officio* Treasurer. There are no involuntary participants in the SCIP. All participants have notified the Treasurer of their desire to participate in the SCIP. The portion of the pool belonging to outside districts is reported in an Investment Trust Fund. SCIP investments are those allowed by County Investment Policy and include savings accounts, CD's and securities.

Pool participant shares are based on the dollars that they have invested in SCIP. The income is distributed based on interest rates on investments, amortization of premiums and discounts, and realized gains and losses for the month.

Pool oversight comes from the Snohomish County Finance Committee (SCFC). The SCFC consists of the County Treasurer, County Executive and Chairperson of the County Council. SCFC approves investment policies for SCIP.

Fair value of securities is based on the market value reports provided by the County's custodial agent. The market values are uploaded into the County investment software monthly from the custodial agent. The fair value of each participant's investment is determined by calculating the ratio of total investments by pool participants divided into the total fair value of the SCIP underlying assets.

***Custodial Credit Risk - Deposits.*** Custodial Credit Risk for Deposits is the risk that in the event of a bank failure, the City may not be able to recover deposits or collateral securities that are in the possession of an outside party. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. The WPDPC may make pro-rata assessments to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

***Custodial Credit Risk – Investments.*** Custodial Credit Risk for Investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by U.S. Bank, as the City's agent, in the City's name.

***Concentration of Credit Risk.*** Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy requires that no more than 50 percent of the City's portfolio, at the time of purchase, shall be in any single financial institution, with the exception of investments in the LGIP, the SCIP, or U.S. Treasury or Agency securities.

The City measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. The guidance requires three levels of fair value measurement based on the respective inputs.

Level 1: Prices quoted in active markets for identical securities.

Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3: Unobservable inputs for an asset or liability.

U.S. Agency securities and municipal bonds classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 or Level 3 security classifications to report.

The following table presents recurring fair value measurements as of December 31, 2023:

Fair Value Measurement Using				
Investment Type	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Federal Agency Securities	\$ -	\$ 18,979,239	\$ -	\$ 18,979,239
Municipal Securities	-	195,130	-	195,130
Treasury Obligations	-	979,414	-	979,414
Snohomish Co. Investment Pool	-	15,981,376	-	15,981,376
<b>Total</b>	<b>\$ -</b>	<b>\$ 36,135,159</b>	<b>\$ -</b>	<b>\$ 36,135,159</b>

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio at December 31, 2023:

Maturities				
Investment Type	Fair Value	Less Than 1 Year	1 to 7 Years	% of Total Portfolio
US Government Agency Securities	\$ 18,979,239	\$ 7,897,515	\$ 11,081,724	29.71%
Municipal Securities	195,130	195,130	-	0.31%
Treasury Obligations	979,414	-	979,414	1.53%
Snohomish County Pool	15,981,376	-	15,981,376	25.01%
Certificates of Deposit	3,048,516	3,048,516	-	4.77%
<b>Subtotal</b>	<b>39,183,675</b>	<b>11,141,161</b>	<b>28,042,514</b>	<b>61.33%</b>
WA State LGIP *	24,704,665	24,704,665	-	38.67%
<b>Total</b>	<b>\$ 63,888,340</b>	<b>\$ 35,845,826</b>	<b>\$ 28,042,514</b>	<b>100.00%</b>
<b>Percentage of Total Portfolio</b>		<b>56.11%</b>	<b>43.89%</b>	<b>100.00%</b>

*Discretely Presented Component Unit:* Cash and equity in pooled investments of the Edmonds Public Facilities District are comprised of governmental type activities only. The balances as of December 31, 2023 are as follows:

	December 31, 2023
Cash and Cash Equivalents	\$ 167,702
Restricted Cash and Cash Equivalents	698,879
	<b>\$ 866,581</b>

The following tables present information regarding the components of Cash and Cash Equivalents as of December 31, 2023:

**Financial Statements**

	Governmental Activities	Business-type Activities	Total Primary Govt.
Cash and Cash Equivalents	\$ 12,940,747	\$ 13,169,028	\$ 26,109,775
Restricted Cash and Cash Equivalents	3,048,516	3,279,631	6,328,147
Investments	19,067,370	17,067,789	36,135,159
	<u>\$ 35,056,634</u>	<u>\$ 33,516,448</u>	<u>\$ 68,573,081</u>

**Restricted Cash and Cash Equivalents**

	Governmental Activities	Business-type Activities	Total
Deposit to Bond Reserve Account	\$ -	\$ 3,279,631	\$ 3,279,631
First Financial CD -Waterfront Center	245,000	-	245,000
First Financial CD - PFD Collateral	2,803,516	-	2,803,516
	<u>\$ 3,048,516</u>	<u>\$ 3,279,631</u>	<u>\$ 6,328,147</u>

#### NOTE 4 – PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue in the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The City may levy up to \$3.10 per \$1,000 of assessed valuation for general governmental services. This rate is limited by the Washington State Constitution and RCW 84.55.010.

The City's regular levy for 2023 was \$0.68615539496 per \$1,000 on an assessed valuation of \$15,572,537,385 for a total regular levy of \$10,685,181. Voters have approved one special levy, for Emergency Medical Services (EMS). The City's EMS Levy for 2023 was \$0.27523680720 per \$1,000 on an assessed valuation of \$15,572,537,385 for a total EMS levy of \$4,286,135.

**Property Tax Calendar**

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



**NOTE 5 – RECEIVABLES AND PAYABLES**

Receivables at December 31, 2023 are as follows:

	Customer Accounts	Taxes	Leases Receivable	Due From Other Governments	Due from Component Units	Total
<b>Governmental Activities</b>						
General Fund	\$ 694,226	\$ 247,000	\$ 290,679	\$ 2,821,354	\$ 3,597,697	\$ 7,650,956
Other Governmental Funds	900	-	-	3,028,829	350	3,030,079
Internal Service	470	-	-	1,963	-	2,433
<b>Total Governmental Activities</b>	<b>\$ 695,596</b>	<b>\$ 247,000</b>	<b>\$ 290,679</b>	<b>\$ 5,852,146</b>	<b>\$ 3,598,047</b>	<b>\$ 10,683,469</b>
<b>Business-type Activities</b>						
Combined Utility Fund	\$ 4,913,792	\$ -	\$ -	\$ 1,513,699	\$ -	\$ 6,427,490
<b>Total Business-type Activities</b>	<b>\$ 4,913,792</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,513,699</b>	<b>\$ -</b>	<b>\$ 6,427,490</b>

Payables at December 31, 2023 are as follows:

	Salaries and Benefits	Accounts Payable	Due to Other Governments	Other Current Liabilities	Total
<b>Governmental Activities</b>					
General Fund	\$ 1,480,092	\$ 1,066,254	\$ -	\$ 193,551	\$ 2,739,897
Other Governmental Funds	84,482	1,718,366	-	66,288	1,869,136
Internal Service	63,272	129,323	-	-	192,596
<b>Total Governmental Activities</b>	<b>\$ 1,627,846</b>	<b>\$ 2,913,943</b>	<b>\$ -</b>	<b>\$ 259,839</b>	<b>\$ 4,801,629</b>
<b>Business-type Activities</b>					
Combined Utility Fund	\$ 293,003	\$ 886,791	\$ 632,482	\$ 1,012,100	\$ 2,824,377
<b>Total Business-type Activities</b>	<b>\$ 293,003</b>	<b>\$ 886,791</b>	<b>\$ 632,482</b>	<b>\$ 1,012,100</b>	<b>\$ 2,824,377</b>

**NOTE 6 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources at December 31, 2023, are as follows:

Deferred Outflows of Resources - Government-wide Statement of Net Position	Governmental Activities	Business-Type Activities
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is greater.	\$ 25,856	\$ 10,440
GASB 68 Pension Deferred Outflow	7,242,571	882,307
<b>Total</b>	<b>\$ 7,268,427</b>	<b>\$ 892,747</b>

Deferred Inflows of Resources at December 31, 2023 are as follows:

Deferred Inflows of Resources - Government-wide Statement of Net Position	Governmental Activities	Business-Type Activities
Difference between the reacquisition price and the net carrying amount of old debt in current refundings when the reacquisition price is less.	\$ 43,375	\$ 150,501
GASB 68 Pension Deferred Inflow	4,679,767	724,822
GASB 87 Leases	292,045	1,093
<b>Total</b>	<b>\$ 5,015,187</b>	<b>\$ 876,416</b>

Deferred Inflows of Resources - Governmental Funds Balance Sheet	General Fund	Enterprise Funds
The portion of property taxes not received within 60 days of 2023	\$ 226,656	\$ -
The portion of court receivables not received within 60 days of 2023	112,128	-
GASB 87 Leases	292,045	-
The portion of opioid receivables not received within 60 days of 2023	1,152,208	-
<b>Total</b>	<b>\$ 1,783,037</b>	<b>\$ -</b>

## NOTE 7 – INTERFUND ACTIVITY

There was one interfund balance as of December 31, 2023 for a utility tax payable to the General Fund in the amount of \$281,772.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Routine transfers include contributions to the pension funds, transfers for debt service requirements, transfers from unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, transfers for the 1% percent for the arts program, and transfers when the City closes out activity in a fund.

Interfund activity for the year is as follows:

	Transfers In	Transfers Out			
		General	Other Governmental	Internal Service	Total
General Fund	\$ 72,066	\$ -	\$ 430,000	\$ 90,757	\$ 520,757
Other Governmental	897,017	-	536,052	-	536,052
Enterprise	-	-	3,031	-	3,031
Internal Service	90,757	-	-	-	-
<b>Total</b>	<b>\$ 1,059,839</b>	<b>\$ -</b>	<b>\$ 969,083</b>	<b>\$ 90,757</b>	<b>\$ 1,059,839</b>

**NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED COMPONENTS**

The government-wide statement of net position reports \$23,340,393 for Governmental Activities and \$4,372,023 for Business-Type Activities as restricted components of net position. The fund statements report \$3,425,394 as committed.

Governmental Activities Restricted for:	
Per RCW, proceeds from seizures are limited to law enforcement activities exclusively	40,843
Restricted per RCW related to state fuel taxes, transportation benefit fees, impact fees and grant agreements	2,739,509
Restricted per RCW related to REET revenue and lodging tax restrictions, private donors, and grant agreements	9,386,347
Per RCW, proceeds are limited to paying the cost of tourism promotion and the Edmonds Business Improvement District	188,929
Restricted per the Federal American Rescue Plan Act (ARPA)	36,932
Per RCW, 60% of the proceeds are limited to the construction of affordable housing, construction of mental and behavioral health-related facilities and facilities where housing related programs are provided. The remaining proceeds must be used for the operation, delivery or evaluation of mental and behavioral health treatment programs and services or housing -related services	309,127
Restricted for specific purposes	92,800
Restricted for Net Pension Assets	10,545,906
<b>Total Restricted Components of Net Position</b>	<b>23,340,393</b>
Business-Type Activities Restricted for:	
Customer deposits	8,048
Debt service restrictions	3,279,630
Restricted for Net Pension Assets	1,084,345
<b>Total Restricted Components of Net Position</b>	<b>4,372,023</b>
Governmental Activities Committed for:	
Committed for the cost of operating and restoring the Edmonds Marsh	853,595
Committed to provide moneys with which to alleviate the problem of homelessness in Edmonds and the surrounding area	200,000
Committed for the acquisition or advancement of visual and performing arts within the City	657,265
Committed for the administration of the employee permit parking program solely and exclusively	83,814
Committed for special projects, special events, capital improvements and other nonrecurring needs of cemetery	196,245
Committed to be expended solely for the purpose of maintaining the cemetery	1,212,121
Committed to be expended solely for the purpose of evaluation, protection, enhancement, preservation, replacement and proper maintenance of significant trees within the City of Edmonds in alignment with the tree ordinance.	222,354
<b>Total Committed Components of Fund Balance</b>	<b>3,425,394</b>

**NOTE 9 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2023 is as follows:

Schedule of Capital Asset Activity				
	Balance 1/1/2023	Increases	Decreases	Balance 12/31/2023
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 17,939,932	\$ 245,394	\$ -	\$ 18,185,325
Construction in progress	21,255,126	5,840,324	(20,145,816)	6,949,633
Total capital assets not being depreciated:	39,195,058	6,085,718	(20,145,816)	25,134,959
Capital assets, being depreciated:				
Building	25,143,340	797,274	(460,886)	25,479,727
Improvements other than buildings	29,662,040	15,867,270	(2,211,512)	43,317,798
Infrastructure	65,264,005	11,006,127	-	76,270,132
Machinery and equipment	11,626,532	1,534,386	(452,903)	12,708,014
Intangible assets	55,500	-	-	55,500
Right-to-use lease assets	488,958	84,903	(6,450)	567,411
Right-to-use subscription assets	-	120,399	-	120,399
Total capital assets being depreciated:	132,240,374	29,410,358	(3,131,751)	158,518,981
Less accumulated depreciation for:				
Buildings	(18,406,498)	(541,397)	362,915	(18,584,980)
Improvements other than buildings	(11,928,645)	(1,299,321)	423,271	(12,804,695)
Infrastructure	(41,137,319)	(1,431,679)	-	(42,568,998)
Machinery and equipment	(6,198,428)	(821,276)	417,685	(6,602,019)
Intangible assets	(10,175)	(11,100)	-	(21,275)
Right-to-use lease assets	(79,003)	(126,222)	-	(205,225)
Right-to-use subscription assets	-	(45,221)	-	(45,221)
Total accumulated depreciation:	(77,760,068)	(4,276,216)	1,203,871	(80,832,413)
Total capital assets being depreciated, net:	54,480,306	25,134,143	(1,927,880)	77,686,568
Governmental activities capital assets, net:	\$ 93,675,364	\$ 31,219,860	\$ (22,073,697)	\$ 102,821,527
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,257,106	\$ -	\$ -	\$ 1,257,106
Construction in progress	37,715,034	4,190,595	(6,717,999)	35,187,629
Total capital assets, not being depreciated:	38,972,140	4,190,595	(6,717,999)	36,444,735
Capital assets being depreciated:				
Building	35,777,156	1,674,094	-	37,451,250
Improvements other than buildings	117,885,169	5,788,425	(386,770)	123,286,825
Machinery and equipment	1,056,537	18,479	(6,716)	1,068,300
Intangible assets	1,296,696	-	-	1,296,696
Right-to-use lease assets	17,017	-	(838)	16,178
Total capital assets being depreciated:	156,032,576	7,480,998	(394,324)	163,119,250
Less accumulated depreciation for:				
Buildings	(21,362,806)	(743,428)	-	(22,106,233)
Improvements other than buildings	(40,306,772)	(2,766,948)	316,227	(42,757,493)
Machinery and equipment	(659,976)	(44,905)	6,716	(698,165)
Intangible assets	(1,250,000)	-	-	(1,250,000)
Right-to-use lease assets	(1,767)	(3,381)	-	(5,149)
Total accumulated depreciation:	(63,581,320)	(3,558,662)	322,943	(66,817,039)
Total capital assets being depreciated, net:	92,451,255	3,922,336	(71,381)	96,302,210
Business activities capital assets, net:	\$ 131,423,395	\$ 8,112,931	\$ (6,789,380)	\$ 132,746,946

The difference of \$62,087 in accumulated depreciation between the 2022 Ending Balance and the 2023 Beginning Balance for governmental infrastructure and \$1,664 in business-type improvements was due to a street project that was not capitalized in 2022. The difference of \$20,496 in accumulated depreciation for buildings in the Business-Type Activities was due to a portion of a continuing project not being capitalized in 2022.

The difference of \$400 between the 2022 Ending Balance and the 2023 Beginning Balance for the Right-to-use lease assets accumulated depreciation is due to payment and incremental borrowing rate corrections in both the Governmental Activities and Business-Type Activities.

#### **Depreciation Expense by Function**

##### **Governmental Activities:**

General government	\$ 574,297
Public safety	449,599
Culture and recreation	1,222,796
Transportation	1,370,316
Physical Environment	374
Internal service	658,834
Total depreciation expense - Governmental Activities	<u>\$ 4,276,216</u>

##### **Business-Type Activities:**

Stormwater	\$ 605,120
Water	761,354
Sewer	852,243
Wastewater Treatment	1,339,944
Total depreciation expense - Business Type Activities	<u>\$ 3,558,662</u>

**NOTE 10 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans as of and for the year ended December 31, 2023:

	<b>State Sponsored Plans</b>	<b>Single Employer Plan</b>	<b>Total</b>
Pension Liabilities	\$ (2,547,483)	\$ (602,001)	\$ (3,149,484)
Pension Assets	\$ 11,630,252	\$ -	\$ 11,630,252
Deferred Outflows of Resources	\$ 8,122,104	\$ 2,775	\$ 8,124,879
Deferred Inflows of Resources	\$ (5,404,591)	\$ -	\$ (5,404,591)
Pension Expense/Expenditures	\$ (460,054)	\$ 110,077	\$ (349,977)

**State Sponsored Pension Plans**

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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 DRS, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for each plan. The DRS Report may be obtained by writing to Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540, or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS 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 2% 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, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions** – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. 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:

<b>PERS Plan 1 Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
2023		
January through June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July through December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%

The City's actual contributions to the plan were \$736,407 for the year ended December 31, 2023.

**PERS Plan 2/3** – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% 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 age 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 3% 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 5% 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 3% 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% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

**Contributions** – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The

Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (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:

<b>PERS Plan 2/3 Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>	<b>Employee 3</b>
2023			
January through June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.36%	Varies
July through December			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	9.39%	6.36%	Varies

The City's actual contributions to the plan were \$ 1,375,297 for the year ended December 31, 2023.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. Members are eligible for retirement with 5 years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions** – Starting on July 1, 2000 **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.18% of covered payroll.

**LEOFF Plan 2** – provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53, with at least 5 years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3% for each



year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance based on the CPI, capped at 3% annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of 5 years of eligible service.

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and State contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>LEOFF Plan 2 Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
2023		
January through December		
LEOFF Plan 2	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>

The City's actual contributions to the plan were \$ 409,234 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023 the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$248,205.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023, with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR), and there were the following assumption changes:

- OSA made adjustments to TRS Plan1 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 percent was used to determine the total liability.

#### **Long-Term Expected Rate of Return**

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

#### **Estimated Rates of Return by Asset Class**

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

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
Total	100.00%	

### Sensitivity of the NPL

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

2023	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 3,559,027	\$ 2,547,483	\$ 1,664,644
PERS 2/3	\$ 6,316,849	\$ (5,807,957)	\$ (15,769,251)
LEOFF 1	\$ (1,500,289)	\$ (1,691,981)	\$ (1,858,208)
LEOFF 2	\$ 683,868	\$ (4,130,314)	\$ (8,070,309)

### 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)

At December 31, 2023, the City reported a net pension liability of \$2,547,483 and a net pension asset of \$11,630,252 for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2023):

2023	Liability (Asset)
PERS 1	\$ 2,547,483
PERS 2/3	\$ (5,807,957)
Total	\$ (3,260,474)
LEOFF 1	\$ (1,691,981)
LEOFF 2	\$ (4,130,314)
Total	\$ (5,822,295)

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

	LEOFF 1 (Asset)	LEOFF 2 (Asset)
Employer's Proportionate Share	\$ (1,691,981)	\$ (4,130,314)
State's Proportionate Share of the Net Pension Asset Associated with the Employer	\$ (11,444,520)	\$ (2,637,576)
Total	\$ (13,136,501)	\$ (6,767,890)

The City's proportionate share of the collective net pension assets, deferred outflows, liabilities, and deferred inflows was as follows:

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.096335%	0.111598%	0.015263%
PERS 2/3	0.119425%	0.141703%	0.022278%
LEOFF 1	0.056145%	0.057007%	0.000862%
LEOFF 2	0.173270%	0.172197%	-0.001073%

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* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

### **Pension Expense**

For the year ended December 31, 2023, the City recognized pension expense as follows:

<b>2023</b>	
PERS 1	\$ 485,553
PERS 2/3	\$ (781,807)
LEOFF 1	\$ (170,308)
LEOFF 2	\$ 6,507
Total	\$ (460,055)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (287,367)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ 306,914	\$ -
Total PERS 1	\$ 306,914	\$ (287,367)

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,183,074	\$ (64,893)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (2,188,789)
Changes of Assumptions	\$ 2,438,381	\$ (531,471)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 125,780	\$ (796,159)
Contributions Subsequent to the Measurement Date	\$ 665,796	\$ -
Total PERS 2/3	\$ 4,413,031	\$ (3,581,312)

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (112,194)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ -	\$ -
<b>Total LEOFF 1</b>	<b>\$ -</b>	<b>\$ (112,194)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,687,116	\$ (33,981)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (873,965)
Changes of Assumptions	\$ 1,055,073	\$ (339,273)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 442,995	\$ (176,499)
Contributions Subsequent to the Measurement Date	\$ 216,974	\$ -
<b>Total LEOFF 2</b>	<b>\$ 3,402,158</b>	<b>\$ (1,423,718)</b>

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 2,870,190	\$ (98,874)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (3,462,315)
Changes of Assumptions	\$ 3,493,454	\$ (870,744)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 568,775	\$ (972,658)
Contributions Subsequent to the Measurement Date	\$ 1,189,684	\$ -
<b>Total All Plans</b>	<b>\$ 8,122,103</b>	<b>\$ (5,404,591)</b>

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

<b>Year Ending December 31,</b>	<b>PERS 1</b>	<b>PERS 2/3</b>
2024	\$ (195,515)	\$ (1,208,339)
2025	\$ (245,880)	\$ (1,350,327)
2026	\$ 151,606	\$ 1,709,352
2027	\$ 2,420	\$ 548,451
2028	\$ -	\$ 537,474
Thereafter	\$ -	\$ (70,688)
Total	\$ (287,369)	\$ 165,923
	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2024	\$ (76,924)	\$ (309,886)
2025	\$ (96,530)	\$ (451,020)
2026	\$ 59,881	\$ 792,623
2027	\$ 1,379	\$ 315,414
2028	\$ -	\$ 336,317
Thereafter	\$ -	\$ 1,078,018
Total	\$ (112,194)	\$ 1,761,466

### **Firemen's Pension Fund**

#### **Plan Description**

The Law Enforcement Officers' and Firefighters' (LEOFF) pension system was established by the State of Washington on March 1, 1970. The City retained the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retained the responsibility for a portion of the benefits payable to members who were active on that date.

As a result, the City of Edmonds is the administrator of the Firemen's Pension Plan which is included in the General Fund. Separate financial statements are not issued. This system is a closed, single-employer, defined benefit pension system. City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with RCW 41.18 and RCW 41.20.

#### **Employees Covered by Benefit Terms**

During 2023 there were a total of 4 retirees covered under this system who are receiving pension benefits; of these 4 retirees, 3 are also receiving medical benefits from this fund. There were no active employees covered under this plan, and there were no inactive employees entitled to but not yet receiving benefits. The pension plan is closed to new entrants.

#### **Funding Policy and Contributions**

Under State law, the Firemen's Pension Fund is provided an allocation of 25% of all money received by the State from taxes on fire insurance premiums. The General Fund may provide additional funding to help cover benefits and administrative costs as necessary. Active pension plan members are not required to contribute to the plan.

The financial activity of the Firemen's Pension Fund is included within the General Fund. No separate stand-alone financial report is issued for the fund. Although the City administers the pension plan, it is partially funded by a percentage of the tax on fire insurance premiums. The state contributes 25% of taxes on fire insurance premiums to this plan and is considered a non-employer contributing entity. The amount of contributions received for the year ended December 31, 2023 was \$75,698.

Milliman, Inc., actuaries and consultants, provided the Firemen's Pension Fund Actuarial Valuation for the year ended December 31, 2023. The Net Pension Liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of January 1, 2023. The Firemen's Pension Fund did not hold any investments. The net pension liability has been recorded as a noncurrent liability on the City's Government-wide Statement of Net Position. Significant actuarial assumptions used in the valuation include:

Actuarial Cost Method	Entry Age
Actuarial Asset Method	Market Value
Assumptions:	
Investment Return Assumption (Discount Rate)*	3.25%
Salary Increases	3.25%
Inflation related to Consumer Price Index	2.50%
Mortality – Service-retired members and spouses	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants.
Mortality – Disabled members	Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants.
Mortality – Surviving Spouses	A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses.

\*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.



Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 535,003	\$ 43,430	\$ 491,573
Changes for the Year:			
Service Cost	-	-	-
Interest	18,762	-	18,762
Changes in Benefits Provided	-	-	-
Changes in Economic gains or losses	118,779	-	118,779
Changes in Actuarial Assumptions or Inputs	31,191	-	31,191
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	-	-
Net Investment Income	-	-	-
Contributions from state fire insurance premium tax	-	75,698	(75,698)
Benefit Payments and Withdrawals	(70,052)	(70,052)	-
Medical Payments from Fund	-	(17,394)	17,394
Administrative Expenses	-	-	-
Other	-	-	-
Balances at December 31, 2023	<u>\$ 633,683</u>	<u>\$ 31,682</u>	<u>\$ 602,001</u>

Net Plan Fiduciary Net Position

	2023	2022
Total Pension Liability	\$ 633,683	\$ 535,003
Pension Plans Fiduciary Net Position	<u>31,682</u>	<u>43,430</u>
Net Pension Liability	<u>\$ 602,001</u>	<u>\$ 491,573</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	5.00%	8.12%

Sensitivity of Net Pension Liability

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Rate 3.25%	1% Increase
Net Pension Liability	\$ 640,894	\$ 602,001	\$ 567,003

**Pension Expense**

For the year ended December 31, 2023 the City recognized pension expense related to the Firemen's pension plan as follows:

Service Cost	\$ -
Interest Cost	18,762
Expected Investment Earnings	(1,410)
Administrative Expense	-
Medical Payments	17,394
Contributions from state fire insurance premium tax	(75,698)
Recognition of economic gains or losses	118,779
Amortization of Deferred Inflows and Outflows	32,250
Changes in Benefits Provided	-
	<u>\$ 110,077</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to the Firemen's pension plan from the following sources:

	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	- 2,775	- -
Changes of Assumptions	-	-
Total	<u>\$ 2,775</u>	<u>\$ -</u>

Deferred Outflows of resources related to the Firemen's Pension Plan and Deferred Inflows of Resources related to the Firemen's Pension Plan will be recognized in pension expense as follows:

Year Ending December 31,	
2024	\$ 945
2025	998
2026	550
2027	282
2028	-
Thereafter	-
Total	<u>\$ 2,775</u>

**Municipal Employees Benefits Trust (MEBT)**

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to 2 U.S.C.A., Sec. 418 (g) effective July 1, 1977. City employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both the City and participants are required to contribute an

amount equal to the current Federal Insurance Contributions Act (FICA) tax rate. The City's contribution for fiscal year 2023 was \$1,687,425 which represents its full liability.

For the year ending December 31, 2023, the City's covered payroll was \$30,160,699. No significant benefit changes occurred in 2023. The plan is administered by a Plan Committee consisting of two members appointed by the Mayor and five members elected by the employees who contribute to the plan. Members appointed by the Mayor serve at the pleasure of the Mayor; elected members serve a two-year term and may be re-elected for an additional two-year term.

Plan assets are not City property but are maintained in trust at American Stock Transfer and Trust Company. Plan assets, therefore, are not included in these financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or the liabilities of the plan trustee without its consent.

The City has the right at any time to reduce, suspend, or completely discontinue its contributions to the plan. Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided through Cigna Group Insurance, and 2) each participant shall, at their normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay their retirement benefit from their account (no City or participant contributions are to be added to the account after retirement), or (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to their account.

#### **NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31:

	<u>2023</u>
OPEB Liabilities	\$ (6,008,024)
Deferred Outflows of Resources	-
Deferred Inflows of Resources	-
OPEB Expense	493,595

In addition to providing pension benefits described under "Fireman's Pension," the City provides other post-employment health care benefits. Firefighters hired between March 1, 1970, and September 30, 1977 are members of the LEOFF 1 pension system and are also eligible for a supplemental retirement benefit plus health benefits under the City plan.

#### **General Information about the OPEB Plan**

##### **Plan Description**

This system is a closed, single-employer, defined benefit OPEB plan.

##### **Benefits Provided**

The City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund. In accordance with RCW 41.26.150, all employees who become eligible after age 50 or become disabled while employed with at least 5 years of service in the LEOFF 1 system are eligible.

**Employees Covered by Benefit Terms**

At December 31, 2023 the following employees were covered by the benefit terms:

	<u>2023</u>
Inactive Employees or Beneficiaries Currently	
Receiving Benefit Payments	18
Inactive Employees Entitled to But Not Yet	
Receiving Benefit Payments	-
Active Employees	-

**Funding Policy**

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

**Contributions**

Under authorization of the Disability Board, the City pays the medical insurance premiums and any additional medical expenses not covered by insurance, including long-term care. The retiree does not contribute towards the cost of their medical care.

**Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2023, and was determined using an actuarial valuation as of January 1, 2023. The actuarial measurement was based on the following methods and assumptions:

Methodology:	
Actuarial Cost Method	Entry Age Normal
Actuarial Asset Method	Market Value
Assumptions:	
Investment Return Assumption (Discourt Rate)*	3.25%
Salary Increases	3.25%
Cost of Living Adjustments	2.50%
Inflation	2.50%
Mortality - Service-retired members and spouses	The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males.
Mortality - Disabled members	The mortality rates are based on the Pub-2010 Safety Disability Mortality Table with generational projection using the ultimate rates in Projection Scale MP-2017.
Mortality - Surviving Spouses	The mortality rates are based on a blend of the Pub-2010 Safety Mortality Table and Pub-2010 Contingent Annuitant table with generational projection using the ultimate rates in Projection Scale MP-2017.
Medical Trend Rate	6.10% Grading Down to 3.9% in 2073
Long-Term Care Trend Rate	4.75%

\*Discount rate is based on The Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years.

**Changes in the total OPEB Liability:**

	<u>2023</u>
Balance - January 1	\$ 5,859,656
Service Cost	-
Interest	213,324
Changes in Actuarial Assumptions	362,867
Changes in Economic (gains) or losses	(82,596)
Differences Between Expected and Actual Experience	-
Benefit Payments and Withdrawals	(345,227)
Other	-
Total	<u>\$ 6,008,024</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate**

The following presents the total OPEB liability of the City calculated using a discount rate and healthcare trend rates that are 1 percentage point higher and 1 percentage point lower than the current discount rate and health care cost trend rates:

	<b>1% Decrease</b>	<b>Current Rate 3.25%</b>	<b>1% Increase</b>
Discount Rate	\$ 6,619,768	\$ 6,008,024	\$ 5,481,729

	<b>1% Decrease</b>	<b>Current Rate 6.10% Grading Down to 3.9% in 2023</b>	<b>1% Increase</b>
Healthcare Cost Trend Rate	\$ 5,555,537	\$ 6,008,024	\$ 6,516,307

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The City recognized OPEB expense for the year ended December 31 as follows:

	<u>2023</u>
Service Cost	\$ -
Interest Cost	213,324
Amortization of Deferred Inflows and Outflows	<u>280,271</u>
Total	<u>\$ 493,595</u>

**NOTE 12 – LONG-TERM DEBT**

The City of Edmonds issues general obligation and revenue bonds to finance the acquisition and construction of major capital facilities and capital programs. General obligation bonds have been issued in the past for both general government and business type activities and are being repaid from the applicable resources. Governmental Activities long-term debt is paid from property and sales tax revenues. Revenue bonds are repaid out of the revenues generated by the related utility.

The City of Edmonds is liable for multiple direct borrowing notes. There are five Public Works Trust Fund Loans; two of the notes are general obligation and three notes are business-type. The City is liable for a note awarded by the Washington State Department of Ecology for the Wastewater Treatment Plant Electrical Improvements Project and a Snohomish County Public Works Assistance Fund note to finance the construction of a Stormwater Pump Station. The City is also liable for a 2016 Chase Bank direct borrowing note which was issued to refinance the City's 2007 general obligation bond. The notes from direct borrowing are considered obligations of both the general government and the utility and are being repaid from the applicable resources. The City is in compliance with all Washington State debt limitation statutes and bond indenture agreements.

General obligation bonds currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2023
<b>Governmental Debt:</b>					
2012 LTGO Refunding Bonds	12/1/2031	1.750%-2.250%	\$ 9,325,000	\$ 125,000	\$ 755,000
2019 LTGO Bond - Civic Park	12/1/2039	2.125%-5.000%	3,485,000	130,000	3,000,000
2021 LTGOA Bond - Civic Park & Facilities	12/1/2041	2.000%-5.000%	5,435,000	185,000	5,080,000
2021 LTGOB Bond - PFD Refinance	12/1/2041	2.000%-2.600%	2,680,000	110,000	2,460,000
Total Governmental GO Bonds			20,925,000	550,000	11,295,000
<b>Business-type Debt:</b>					
<u>General Obligation Bonds:</u>					
2021 LTGOA Bond - 2011 Refinance	12/1/2031	5.000%	6,070,000	550,000	5,520,000
Total Business-type GO Bonds			6,070,000	550,000	5,520,000
Total General Obligation Bonds			\$ 26,995,000	\$ 1,100,000	\$ 16,815,000

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

Year	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2024	575,000	332,128	907,128	580,000	276,000	856,000
2025	590,000	310,828	900,828	605,000	247,000	852,000
2026	610,000	288,653	898,653	635,000	216,750	851,750
2027	580,000	265,353	845,353	670,000	185,000	855,000
2028	605,000	242,015	847,015	705,000	151,500	856,500
2029-2033	3,200,000	860,014	4,060,014	2,325,000	236,250	2,561,250
2034-2038	3,395,000	424,803	3,819,803	-	-	-
2039-2043	1,740,000	72,315	1,812,315	-	-	-
	\$ 11,295,000	\$ 2,796,106	\$ 14,091,106	\$ 5,520,000	\$ 1,312,500	\$ 6,832,500

Revenue bonds currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2023
<b>Business-type Debt:</b>					
2013 Water/Sewer Bonds	12/1/2038	4.000%-5.000%	15,010,000	240,000	13,045,000
2015 Water/Sewer Bonds	12/1/2040	3.000%-4.000%	18,740,000	600,000	14,195,000
2020 Water/Sewer Bonds	12/1/2045	2.000%-2.250%	13,875,000	-	13,875,000
Total Revenue Bonds			<u>\$ 47,625,000</u>	<u>\$ 840,000</u>	<u>\$ 41,115,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year	BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total
2024	875,000	1,417,828	2,292,828
2025	915,000	1,380,328	2,295,328
2026	955,000	1,343,728	2,298,728
2027	980,000	1,312,278	2,292,278
2028	1,015,000	1,280,028	2,295,028
2029-2033	7,645,000	5,791,284	13,436,284
2034-2038	12,690,000	3,680,299	16,370,299
2039-2043	11,185,000	1,354,669	12,539,669
2044-2048	4,855,000	164,475	5,019,475
	<u>\$ 41,115,000</u>	<u>\$ 17,724,914</u>	<u>\$ 58,839,914</u>

Notes from direct borrowing currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2023
<b>Governmental Debt:</b>					
2016 Chase Bank Loan	12/1/2026	1.67%	\$ 838,526	86,451	267,157
P W Trust Fund Loan - Street Construction	6/30/2024	0.50%	400,000	21,176	21,176
P W Trust Fund Loan - Street Construction	5/24/2026	0.50%	624,750	32,882	98,645
Total Governmental Notes from Direct Borrowings			<u>2,203,276</u>	<u>140,509</u>	<u>386,979</u>
<b>Business-type Debt:</b>					
2016 Chase Bank Loan	12/1/2026	1.67%	2,328,116	240,025	741,746
P W Trust Fund Loan - Water Improvements	6/30/2024	0.50%	408,000	25,839	25,839
P W Trust Fund Loan - Storm Improvements	6/30/2024	0.50%	605,625	32,063	32,063
P W Trust Fund Loan - Sewer Improvements	6/30/2025	0.50%	1,216,902	72,295	144,590
Department of Ecology	10/31/2033	2.30%	638,540	31,691	360,385
Snohomish County Loan	7/1/2037	1.50%	545,000	29,528	442,918
Total Business-type Notes from Direct Borrowings			<u>7,089,433</u>	<u>431,441</u>	<u>1,747,540</u>
Total Notes from Direct Borrowings			<u>\$ 9,292,709</u>	<u>\$ 571,950</u>	<u>\$ 2,134,519</u>



The annual debt service requirements to maturity for debt from direct borrowings are as follows:

Year	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2024	141,280	5,061	146,341	434,319	28,186	462,505
2025	121,976	3,334	125,310	382,369	22,294	404,663
2026	123,723	1,681	125,404	315,695	16,587	332,283
2027	-	-	-	64,270	11,143	75,413
2028	-	-	-	65,077	9,893	74,970
2029-2033	-	-	-	338,171	30,034	368,206
2034-2038	-	-	-	147,638	6,644	154,282
2039-2043	-	-	-	-	-	-
	\$ 386,979	\$ 10,076	\$ 397,055	\$ 1,747,540	\$ 124,781	\$ 1,872,321

At December 31, 2023 the City had \$3,279,631 in the Enterprise funds available for debt service.

Debt service for the LTGO bonds and governmental notes from direct borrowing are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds of the City with the exception of the 2021 LTGOB bond. The Public Facilities District (PFD) is obligated by inter-local agreement to pay the entire amount of the 2021 LTGOB debt service over the life of the bonds. (See Note 1). Debt service for the revenue bonds is paid by the Utility Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

In 2018 the PFD issued a 10-year Note to First Financial Northwest Bank (FFNB) in the amount of \$2,803,516. At the same time the City purchased an interest bearing Certificate of Deposit in the same amount, to be held by FFNB as collateral. Each time the PFD makes a principal payment on the loan, the City has the option to reduce the balance of the Certificate of Deposit by the amount of the principal payment. In the event that the PFD is unable to make a payment, the CLA requires that the City will loan the PFD enough for them to be able to make the required payment. The City has advanced funds in prior years to the PFD to assist them with debt service on the bonds. These advances are shown in the City's Statement of Net Position as a Due from Component Unit. The City believes that it is unlikely that it will be necessary to make additional loans to the PFD.

**Debt Limit** – RCW 39.36.020 provides cities with three segments of debt capacity, each equal to 2.5% of the city's assessed valuation, for a combined total of 7.5%. Allowable uses of these segments are as follows:

**Segment 1 – General Governmental Purposes**

The City can incur debt up to one and one-half percent (1.5%) of its assessed valuation solely with a vote of the legislative body (often referred to as "councilmanic" debt). To use the remaining one percent (1.0%), a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election is required.

**Segment 2 – City-Owned Water and Sewer Purposes**

The City can incur debt up to an additional two and one-half percent (2.5%) for water and sewer purposes with a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election.

**Segment 3 – Acquiring and Developing Open Space, Parks Facilities, and Capital Facilities Associated with Economic Development**

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic

development purposes with a 60 percent vote in favor of the issue by at least 40 percent of the number of voters who voted in the last general election.

#### Debt Limit Capacity

Item	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	Without Vote	With Vote	With Vote	With Vote
	(Councilmanic) 1.5%	2.5%	2.5%	2.5%
Legal Limits	\$ 233,588,061	\$ 155,725,374	\$ 389,313,435	\$ 389,313,435
Net outstanding indebtedness	(16,696,115)	-	-	-
Margin Available	<u>\$ 216,891,946</u>	<u>\$ 155,725,374</u>	<u>\$ 389,313,435</u>	<u>\$ 389,313,435</u>

#### Refunded Debt

In prior years, the City has defeased the 2007 general obligation bond and several revenue bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were placed in the trust funds. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed from City financial statements.

In November 2021, the City issued general obligation bonds (LTGOA) to refund the 2011 revenue bonds. The City also issued LTGOB in November of 2021 to refund a portion of the 2012 LTGO debt issue that was attributable to the Public Facilities District (PFD). The LTGOA and LTGOB proceeds were used to purchase U.S. government and state and local government series securities that were placed in an irrevocable trust for the purposes of generating resources for all future debt services payments. As a result, the refunded bonds are considered defeased. The refunding offered the PFD the ability to extend the repayment schedule from December of 2026 to December of 2041 so that the PFD could take advantage of public facilities sales tax revenue. The City guaranteed repayment of these bonds by the PFD through a Contingent Loan Agreement (CLA) with the PFD and has advanced funds to them to assist with debt service on these bonds.

Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the City will be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

If Snohomish County finds that the City has failed to comply with the terms of the loan agreement, the County can declare the City in default and terminate the Agreement in whole. The City has 5 days from written notice to remedy said default. In the event the City fails to remedy the default, the County shall issue the City of Edmonds written notice of termination and declare the principle amount owing and interest due at the time to be immediately due and payable.

The Washington State Public Works Trust Fund loans will assess a daily penalty beginning on the 31<sup>st</sup> day past the due date. The penalty will be assessed on the entire payment amount. The penalty will be 12% per annum calculated on a 360-day year for the delinquent amount.

The Washington State Department of Ecology loan will assess a late charge of one percent per month on the past due amount starting on the date the debt becomes past due and until it is paid in full. If the Department of Ecology initiates a termination event or a loan default event occurs, the Department of Ecology may at its sole discretion demand that the City repay the outstanding balance of the loan amount and all accrued interest. In the event of a default, the Department may declare the principal of and interest on the loan immediately due and payable.

**Arbitrage** – The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay investment income received at yields that exceed the issuer's borrowing rates to the United States Treasury. The liability is recorded at present value and payable every five years or 60 days after defeasance of the debt. At December 31, 2023, the City of Edmonds had no arbitrage liability.

**Revenue Bond Debt Service Coverage** – The required debt service coverage for the utility revenue bonds is 1.25.

**NOTE 13 – CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 11,845,000	\$ -	\$ (550,000)	\$ 11,295,000	\$ 575,000
Less:					
For issuance premiums	914,815	-	(49,732)	865,083	49,732
Total bonds payable:	12,759,815	-	(599,732)	12,160,083	624,732
Pension liabilities	2,753,842		(79,973)	2,673,869	-
Total OPEB liability	5,859,656	148,368	-	6,008,024	364,032
Compensated absences	2,745,822	3,279,985	(2,719,305)	3,306,502	951,205
Lease Liability	413,924	179,316	(218,466)	374,774	142,982
SBITA Liability	-	61,175	-	61,175	19,703
Governmental notes-direct borrowing	527,488	-	(140,509)	386,979	141,280
Governmental activity long-term liabilities	<u>\$ 25,060,547</u>	<u>\$ 3,668,844</u>	<u>\$ (3,757,984)</u>	<u>\$ 24,971,406</u>	<u>2,243,934</u>
<b>Business-type activities</b>					
Bonds Payable:					
General obligation bonds	6,070,000	\$ -	\$ (550,000)	\$ 5,520,000	580,000
Revenue bonds	41,955,000	-	(840,000)	41,115,000	875,000
Less:					
For issuance premiums	1,613,213	-	(165,983)	1,447,230	165,983
For issuance discount	(149,139)	-	6,484	(142,655)	(6,484)
Total bonds payable:	49,489,074	-	(1,549,499)	47,939,575	1,614,499
Pension liabilities	420,051	55,564	-	475,615	-
Compensated absences	362,176	556,909	(483,541)	435,544	169,143
Lease Liability	14,638	3,497	(6,805)	11,329	3,375
SBITA Liability	-	-	-	-	-
Business-type notes-direct borrowing	2,178,981	-	(431,441)	1,747,540	434,319
Business-type activity long-term liabilities	<u>\$ 52,464,920</u>	<u>\$ 615,970</u>	<u>\$ (2,471,286)</u>	<u>\$ 50,609,603</u>	<u>2,221,336</u>

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2023 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year-end internal service fund balances include \$172,785 for compensated absences and \$105,975 for the total pension obligation.

The General Fund is typically used to liquidate long-term liabilities other than debt.

The difference of \$6,576 between the 2022 Ending Balance and the 2023 Beginning Balance for Lease Liability is due to payment and incremental borrowing rate corrections in both the Governmental Activities and Business-Type Activities.

## Note 14 - Leases

### Leases Payable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The City leases facilities and office equipment under a variety of long-term, non-cancelable lease agreements. In accordance with GASB 87, the City records these right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. If not stated in the lease, the expected payments are discounted using the City's incremental borrowing rate.

Lease assets are reported by the City of Edmonds by major classes of the underlying asset, as follows:

#### Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	183,178	81,665
Buildings	317,446	94,139
Other	82,966	34,569
Total Leases	583,590	210,373

Principal and interest requirements by Business-type and Governmental Activities are as follows:

Principal and Interest Requirements to Maturity			
Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	3,378	219	3,597
2025	3,446	151	3,597
2026	2,775	83	2,858
2027	1,736	20	1,756

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	142,921	1,819	144,740
2025	95,688	915	96,603
2026	64,381	496	64,878
2027	57,719	205	57,924
2028	14,059	9	14,069

### Leases Receivable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City leases land and buildings for various purposes. The City records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. If not stated in the lease, the expected receipts are discounted using the City's incremental borrowing rate. Principal payments expected to maturity, broken out by business-type and governmental activities, are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	166,770	1,177	167,947
2025	123,909	384	124,293

## NOTE 15 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

### Subscriptions Payable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

The City subscribes to software under a variety of long-term, non-cancelable subscription agreements. In accordance with GASB 96, the City records these right-to-use assets and subscription liabilities based on the present value of expected payments over the term of the respective subscriptions. If not stated in the subscription terms, the expected payments are discounted using the City's incremental borrowing rate.

Subscription assets are reported by the City of Edmonds by major classes of the underlying asset, as follows:

Amount of Subscription Assets by Major Classes of Underlying Asset		
Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	120,399	45,221
Total Subscriptions	120,399	45,221

Principal and interest requirements by Business-type and Governmental Activities are as follows:

Principal and Interest Requirements to Maturity				
Fiscal Year	Governmental Activities			Total Payments
	Principal Payments	Interest Payments		
2024	19,703	1,585		21,288
2025	12,617	1,071		13,688
2026	14,243	745		14,989
2027	14,611	377		14,989
Total Principal Payments	61,175			
Cumulative Variance as of Fiscal Year	-			
Total Remaining Liability	61,175			

**NOTE 16 – CONTINGENCIES AND LITIGATIONS**

**Other Contingencies** – The City has recorded in its financial statement all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes that it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims.

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

**State v Blake** – In 2021, the Washington State Supreme Court held that the statute criminalizing drug possession is unconstitutional. The underlying RCW's determined to be unconstitutional by the Blake decision date back to 1971. In addition to receiving a vacate of their criminal conviction, Blake requires all legal financial obligations (LFO's) paid by an impacted individual tied to a Blake conviction be refunded. The Legislature has specified in a budget proviso that this amount includes collection costs. The city has been proactively reviewing potential Blake convictions.

The Legislature has appropriated funds to reimburse District and Municipal courts for the costs of processing the vacates and refunding of LFOs. Specifically, the Administrative Office of the Courts (AOC) will reimburse extraordinary judicial, prosecutorial, and defense related costs associated with vacating convictions applicable to the State v Blake decision. Additionally, AOC will reimburse District and Municipal Courts who have reimbursed or will reimburse LFOs to defendants whose convictions or sentences in Municipal Court are affected by the State v Blake decision. The Washington State Legislature has provided ample funding for the city to process vacations and refund LFOs on behalf of the state, including funding for FY 2023 and proviso language that suggests an ongoing state responsibility.

**NOTE 17 – RISK MANAGEMENT**

**Property and Liability Insurance** – The City of Edmonds is exposed to various risks of loss from torts; thefts of damage or destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters.

The City and its employees contribute to the State of Washington's Department of Labor and Industries for Workers' Compensation. There were no settlements in excess of coverage in any of the prior three years.

The City of Edmonds is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed the WCIA on January 1, 1981. The WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and jointly contracting for risk management services. WCIA has a total of 169 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.



All members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security and privacy, events management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident member deductible.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. The City currently has no such assessments due to WCIA, and the City incurred no settlements in excess of coverage in any of the past three years.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the daily operations of WCIA.

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2023, 264 cities, towns, or non-city entities participate in the AWC Trust HCP.

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2.0 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

**NOTE 18 – COMMITMENTS**

The City has several capital improvement projects in progress. As of December 31, 2023, the City's outstanding material contractual obligations, which include construction and engineering contracts, are summarized below:

<b>Contract Name</b>	<b>Original Amount</b>	<b>Expenditures to Date</b>	<b>Remaining Commitment</b>
Solar Project	685,243	559,135	126,108
Police Parking Lot Fence	374,828	7,676	367,152
Fleet EV Charging	412,056	405,564	6,493
Carbon Recovery	26,705,155	24,823,334	1,881,821
Clarifier Project	374,182	340,166	34,017
Construction - Citywide Bike and Elm Walkway	2,708,118	1,640,301	1,067,817
PSA - Ph 4 CIPP	98,559	-	98,559
LAG Supplement 2 - 76th Overlay	136,844	125,959	10,885
LAG Supplement 7 - Hwy 99 Stg 2	2,225,191	2,097,328	127,863
PSA Supplement 1 - Elm Way Walkway Project	163,044	132,290	30,754
PSA - design/CM svcs for Edmonds Marsh WQI project	134,235	9,849	124,386
LAG - Highway 99 Stg 3 professional services	3,217,453	488,117	2,729,336
LAG - Highway 99 Stg 4 professional services	3,887,220	462,019	3,425,201
LAG Supplement 1 - SR-104 Adaptive Systems	350,758	195,865	154,893
PSA - Phase 4 Stormwater Utility Replacement Project	144,729	56,938	87,791
PSA for Design Services for Lower Perrinville Creek Restoration Project	906,919	99,639	807,280
PSA Phase 10 Sanitary Sewer Replacement Project	426,411	280,559	145,852
Construction - 2023 Utility Replacement Project	2,863,201	2,594,344	268,857
PSA - 2023 Utility Replacement Project	32,795	19,392	13,403
PSA Amend 1 - Yost and Seaview Reservoir	676,575	236,182	440,393
LAG - Main St Overlay Project (design svcs)	125,114	64,052	61,063
PSA - spill kit program and dumpster outreach program	33,172	19,860	13,312
PSA Supplement 1 - Phase 11 Sanitary Sewer Replacement Project	200,745	76,631	124,114
PSA - Phase 14 Waterline Replacement Project	125,200	58,579	66,621
PSA - 2024 Overlay design services	66,127	14,910	51,217
PSA Storm & Surface Wtr Mgmt Comp Plan Update	127,848	78,249	49,600
Supplement #3 to LAG - 76th / 220th Intersection Improvement Project	1,249,823	586,853	662,970
PSA - Transportation Consulting for Bipartisan Infrastructure Bill	20,000	19,974	26
Civic Center Playfield Project - Landau	109,432	103,941	5,491
Civic Center Playfield - Landscape Architect	1,564,590	1,562,242	2,348
On-Call Design/Engineering Services	97,500	63,518	33,982
On-Call Land Surveying Services	75,000	13,675	61,325
On-Call Geotechnical Services	30,000	13,270	16,730
Johnson Property Demolition	115,694	104,124	11,569
Mee Property Environmental Consult.	2,800	-	2,800
Mee Property Survey Consult.	9,670	-	9,670
HVAC Maintenance	7,868	1,967	5,901
Oncall engineering services	60,000	-	60,000
Engineering Services for Construction Phase of c511 Project Phase B	255,280	211,468	43,812
Programming, Calibration.	40,000	21,017	18,983
Janitorial Services for the Treatment Plant	49,000	29,185	19,815
JOC program Administration	30,000	-	30,000
Agreement between City of Edmonds and City of Lynn.	2,759,772	-	2,759,772
Alderwood & Edmonds Water Supply Agreement	2,398,000	-	2,398,000
Emergency Intertie Agreement SPU & COE	5,000	-	5,000
Ultra Sonic Testing of Steel Reservoirs 1.5 & 3 MG	17,558	10,667	6,891
Annual Visual Inspect. of Roof interior of 1.5 MG	18,322	10,535	7,787
Wonderware SCADA Support	2,900	-	2,900
	<b>\$ 56,119,930</b>	<b>\$ 37,639,373</b>	<b>\$ 18,480,557</b>

**Note 19 – Other Disclosures****Opioid Settlements**

The City of Edmonds, along with various cities, towns, and counties in Washington State has actively participated in various national and state opioid-related settlements. These settlements address the widespread impact of the opioid crisis and seek to provide financial resources for mitigation efforts. As part of these collective legal actions, the City of Edmonds is slated to receive a total settlement award of \$1,583,366. This sum will be disbursed in increments over a 17-year period.

**FIREMEN'S PENSION FUND OTHER POST-EMPLOYMENT BENEFITS**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS\***

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	213,324	138,861	163,580	211,775	272,551	225,578
Effect of Economic/Demographic (Gains) or Losses	(82,596)	-	(981,476)	-	-	-
Effect of Assumptions Changes or Inputs	362,867	(1,035,305)	(44,902)	631,263	961,775	(569,353)
Benefit Payments and Withdrawals	(345,227)	(372,061)	(374,262)	(355,049)	(338,445)	(388,253)
<b>Net Change in Total OPEB Liability</b>	<b>148,368</b>	<b>(1,268,505)</b>	<b>(1,237,060)</b>	<b>487,989</b>	<b>895,881</b>	<b>(732,028)</b>
<b>Total OPEB Liability - Beginning</b>	<b>5,859,656</b>	<b>7,128,161</b>	<b>8,365,221</b>	<b>7,877,232</b>	<b>6,981,351</b>	<b>7,713,379</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 6,008,024</b>	<b>\$ 5,859,656</b>	<b>\$7,128,161</b>	<b>\$8,365,221</b>	<b>\$7,877,232</b>	<b>\$6,981,351</b>
 <b>Covered Payroll</b>	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
 <b>Total OPEB Liability as a % of Covered Payroll</b>	 N/A	 N/A	 N/A	 N/A	 N/A	 N/A

**Notes to Schedule:**

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

\* Until a full 10-year trend is compiled, only information for those years available is presented.

**FIREMEN'S PENSION FUND**  
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	18,762	12,046	11,898	16,828	26,547	19,147	23,528	15,991	16,365	30,016
Changes in Benefits Provided	-	-	-	-	-	-	-	188,817	-	-
Economic/Demographic										
Gains or Losses	118,779	-	26,732	-	67,664	96,849	-	17,054	-	(256,011)
Changes in Actuarial Assumptions	31,191	(36,051)	44,613	29,948	(55,159)	(4,985)	37,919	(13,330)	-	(31,502)
Benefit Payments and Withdrawals	(70,052)	(86,137)	(65,711)	(61,740)	(119,116)	(53,203)	(48,062)	(27,936)	(26,175)	(24,481)
<b>Net Change in Total Pension Liability</b>	<b>98,680</b>	<b>(110,142)</b>	<b>17,532</b>	<b>(14,964)</b>	<b>(80,064)</b>	<b>57,808</b>	<b>13,385</b>	<b>180,596</b>	<b>(9,810)</b>	<b>(281,978)</b>
<b>Total Pension Liability - Beginning</b>	<b>535,003</b>	<b>645,145</b>	<b>627,613</b>	<b>642,577</b>	<b>722,641</b>	<b>664,833</b>	<b>651,448</b>	<b>470,852</b>	<b>480,662</b>	<b>762,640</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 633,683</b>	<b>\$535,003</b>	<b>\$645,145</b>	<b>\$627,613</b>	<b>\$642,577</b>	<b>\$722,641</b>	<b>\$664,833</b>	<b>\$ 651,448</b>	<b>\$470,852</b>	<b>\$480,662</b>
<b>Fiduciary Net Position</b>										
Contributions - Employer	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 39,297	\$ 46,613	\$ 47,449	\$ 38,775	\$ 21,581
Contributions from State Fire Insurance										
Premium Tax	75,698	56,744	53,334	51,491	48,232	-	-	-	-	-
Net Investment Income	-	-	-	3,897	6,605	5,662	4,455	2,296	1,629	662
Benefit Payments and Withdrawals	(70,052)	(86,137)	(65,711)	(61,740)	(119,116)	(53,203)	(48,062)	(27,936)	(26,175)	(24,481)
Medical payments from fund	(17,394)	(17,128)	(21,288)	(19,258)	(20,417)	-	-	-	-	-
Administrative Expenses	-	-	(11,500)	(1,007)	(1,269)	(538)	(1,222)	(214)	-	-
Other	-	-	-	-	-	-	-	-	96	-
<b>Change in Fiduciary Net Position</b>	<b>(11,748)</b>	<b>(46,521)</b>	<b>(45,165)</b>	<b>(11,617)</b>	<b>(70,965)</b>	<b>(8,782)</b>	<b>1,784</b>	<b>21,595</b>	<b>14,325</b>	<b>(2,238)</b>
<b>Fiduciary Net Position - Beginning</b>	<b>43,430</b>	<b>89,951</b>	<b>135,116</b>	<b>146,733</b>	<b>217,698</b>	<b>226,480</b>	<b>224,696</b>	<b>203,101</b>	<b>188,776</b>	<b>191,014</b>
<b>Fiduciary Net Position - Ending</b>	<b>\$ 31,682</b>	<b>\$ 43,430</b>	<b>\$ 89,951</b>	<b>\$135,116</b>	<b>\$146,733</b>	<b>\$217,698</b>	<b>\$226,480</b>	<b>\$ 224,696</b>	<b>\$203,101</b>	<b>\$188,776</b>
<b>Net Pension Liability</b>	<b>\$ 602,001</b>	<b>\$491,573</b>	<b>\$555,194</b>	<b>\$492,497</b>	<b>\$495,844</b>	<b>\$504,943</b>	<b>\$438,353</b>	<b>\$ 426,752</b>	<b>\$267,751</b>	<b>\$291,886</b>
<b>Fiduciary Net Position as a % of the</b>										
<b>Total Pension Liability</b>	5.0%	8.1%	13.9%	21.5%	22.8%	30.1%	34.1%	34.5%	43.1%	39.3%
<b>Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Pension Liability as a % of</b>										
<b>Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**FIREMEN'S PENSION FUND  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll	Annual Money Weighted Rate of Return Net of Investment Expense
2023	\$ 137,000	\$ 58,304	\$ 78,696	\$ -	N/A	- %
2022	93,000	39,616	53,384	-	N/A	-
2021	100,000	20,546	79,454	-	N/A	-
2020	82,874	47,233	35,641	-	N/A	2.88
2019	82,874	42,815	40,059	-	N/A	3.75
2018	43,194	39,297	3,897	-	N/A	2.58
2017	43,194	46,613	(3,419)	-	N/A	1.99
2016	25,353	47,449	(22,096)	-	N/A	1.08
2015	25,353	38,775	(13,422)	-	N/A	0.83
2014	44,223	21,581	22,642	-	N/A	0.35

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITOR'S REPORT)**

**PERS 1**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	0.111598%	\$ 2,547,483	\$ 20,117,577	12.66%	80.16%
2022	0.096335%	2,682,320	15,136,439	17.72%	76.56%
2021	0.098153%	1,198,678	14,572,391	8.23%	88.74%
2020	0.097758%	3,451,385	14,373,946	24.01%	68.64%
2019	0.097960%	3,766,920	13,393,923	28.12%	67.12%
2018	0.090868%	4,058,195	12,701,466	31.95%	63.22%
2017	0.109876%	5,213,702	13,404,013	38.90%	61.24%
2016	0.101894%	5,472,188	14,068,530	38.90%	57.03%
2015	0.101786%	5,324,534	13,688,460	38.90%	59.10%

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**PERS 2/3**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	0.141703%	\$ (5,807,957)	\$ 20,012,402	-29.02%	107.02%
2022	0.119425%	(4,429,212)	14,881,608	-29.76%	106.73%
2021	0.119926%	(11,946,559)	14,300,600	-83.54%	120.29%
2020	0.120113%	1,536,177	14,092,149	10.90%	97.22%
2019	0.119772%	1,163,393	13,101,081	8.88%	97.77%
2018	0.109886%	1,876,206	12,370,371	15.17%	95.77%
2017	0.133191%	4,627,751	13,053,673	35.45%	90.97%
2016	0.121658%	6,125,384	12,502,808	48.99%	85.82%
2015	0.121602%	4,344,909	11,627,811	37.37%	89.20%



**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITOR'S REPORT)**

**LEOFF 1**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer	Total	Employer's Covered Payroll
2023	0.057007%	\$ (1,691,981)	\$ (11,444,520)	\$ (13,136,501)	\$ -
2022	0.056145%	(1,610,583)	(10,893,942)	(12,504,525)	-
2021	0.055212%	(1,891,321)	(12,792,850)	(14,684,171)	-
2020	0.055457%	(1,047,310)	(7,083,982)	(8,131,292)	-
2019	0.053590%	(1,059,266)	(7,164,848)	(8,224,114)	-
2018	0.053132%	(964,613)	(6,524,615)	(7,489,228)	-
2017	0.055859%	(847,504)	(5,732,485)	(6,579,989)	-
2016	0.055141%	(568,110)	(5,363,896)	(5,932,006)	-
2015	0.054022%	(651,084)	(5,125,471)	(5,776,555)	-
	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>			
2023	0.00%	175.99%			
2022	0.00%	169.62%			
2021	0.00%	187.45%			
2020	0.00%	146.88%			
2019	0.00%	148.78%			
2018	0.00%	144.42%			
2017	0.00%	135.96%			
2016	0.00%	123.74%			
2015	0.00%	127.36%			

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITOR'S REPORT)**

**LEOFF 2**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated With The Employer	Total	Employer's Covered Payroll
2023	0.172197%	\$ (4,130,314)	\$ (2,637,576)	\$ (6,767,890)	\$ 7,637,773
2022	0.173270%	(4,708,955)	(3,050,359)	(7,759,314)	7,040,263
2021	0.179760%	(10,441,205)	(6,735,717)	(17,176,922)	6,588,759
2020	0.176926%	(3,609,032)	(2,307,703)	(5,916,735)	6,654,735
2019	0.192032%	(4,448,792)	(2,913,363)	(7,362,155)	6,764,235
2018	0.180721%	(3,669,030)	(797,902)	(4,466,932)	6,513,429
2017	0.201856%	(2,801,107)	(545,988)	(3,347,095)	3,524,363
2016	0.184178%	(1,071,235)	(229,538)	(1,300,773)	3,059,830
2015	0.183336%	(1,884,327)	(409,091)	(2,293,418)	2,861,034
	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>			
2023	-54.08%	113.17%			
2022	-66.89%	116.09%			
2021	-158.47%	142.00%			
2020	-54.23%	115.83%			
2019	-65.77%	119.43%			
2018	-56.33%	118.50%			
2017	-79.48%	113.36%			
2016	-35.01%	106.04%			
2015	-65.86%	111.67%			

**Notes to Schedule:**

\*Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31 (EMPLOYER REPORTING DATE)  
LAST 10 FISCAL YEARS\***

**PERS 1**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2023	\$ 736,407	(736,407)	-	\$ 21,624,118	3.41%
2022	644,812	(644,812)	-	16,746,373	3.85%
2021	653,722	(653,722)	-	14,769,812	4.43%
2020	719,557	(719,557)	-	14,529,989	4.95%
2019	710,800	(710,800)	-	13,939,730	5.10%
2018	676,511	(676,511)	-	12,882,202	5.25%
2017	639,839	(639,839)	-	12,597,735	5.08%
2016	620,544	(620,544)	-	12,099,373	5.13%
2015	583,605	(583,605)	-	11,674,157	5.00%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**PERS 2/3**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2022	\$ 1,375,297	\$ (1,375,297)	\$ -	\$ 21,624,118	6.36%
2022	1,050,442	(1,050,442)	-	16,516,351	6.36%
2021	1,035,366	(1,035,366)	-	14,495,277	7.14%
2020	1,128,159	(1,128,159)	-	14,244,396	7.92%
2019	1,054,573	(1,054,573)	-	13,663,708	7.72%
2018	942,080	(942,080)	-	12,560,116	7.50%
2017	842,249	(842,249)	-	12,270,542	6.86%
2016	743,678	(743,678)	-	11,845,981	6.28%
2015	710,849	(710,849)	-	11,203,929	6.34%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31 (EMPLOYER REPORTING DATE)  
LAST 10 FISCAL YEARS\***

**LEOFF 1**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2023	\$ -	\$ -	\$ -	\$ -	0.00%
2022	-	-	-	-	0.00%
2021	-	-	-	-	0.00%
2020	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2015	-	-	-	-	0.00%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**LEOFF 2**

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2023	\$ 409,234	\$ (409,234)	\$ -	\$ 7,992,964	5.12%
2022	384,710	(384,710)	-	7,512,038	5.12%
2021	339,281	(339,281)	-	6,588,759	5.15%
2020	360,086	(360,086)	-	6,991,945	5.15%
2019	354,709	(354,709)	-	6,769,231	5.24%
2018	180,384	(180,384)	-	6,552,661	2.75%
2017	176,008	(176,008)	-	6,142,987	2.87%
2016	154,521	(154,521)	-	3,059,830	5.05%
2015	144,483	(144,483)	-	2,861,034	5.05%

**Notes to Schedule:**

\* Information is presented only for those years for which information is available.

**CITY OF EDMONDS**

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**ADMINISTRATIVE SERVICES DEPARTMENT**

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **City of Edmonds January 1, 2023 through December 31, 2023**

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

<b>Finding ref number:</b> 2023-001	<b>Finding caption:</b> The City did not have adequate internal controls for ensuring compliance with federal requirements for procurement and subrecipient monitoring and it did not comply with federal procurement requirements.
<b>Name, address, and telephone of City contact person:</b> Richard Gould, Finance Director 121 5 <sup>th</sup> Ave N Edmonds, WA 98020 (425) 275-4688 ext. 1293	
<b><i>Corrective action the auditee plans to take in response to the finding:</i></b> <b><i>Corrective Action Plan - Subrecipient Monitoring Finding</i></b> <i>The City acknowledges the audit findings and recognizes the importance of strengthening internal monitoring practices to ensure full alignment with federal requirements. While there may be additional context to consider regarding the specific circumstances, we appreciate the opportunity to clarify those details and outline the corrective actions that have been taken and are planned.</i>	

### ***Subrecipient #1 – Edmonds College***

*One of the subrecipients noted in the finding is a public higher education institution operating under the State Board for Community and Technical Colleges (SBCTC). The subrecipient administered the Student Emergency Assistance Grant (SEAG) in accordance with state guidelines that emphasize low-barrier, equity-focused access to emergency aid. These guidelines intentionally discourage requiring extensive documentation from students and instead rely on:*

- Written applications and student interviews*
- Internal verification using the college's ctclink student system*
- Program-level data tracking through financial aid systems*
- Quarterly reporting to the City, which was submitted*

*Due to FERPA protections, the college was limited in the level of personal data it could share externally without student consent. While this model limited the City's ability to independently audit eligibility at the individual level, it is consistent with the state's recognized approach to supporting systemically disadvantaged students and aligns with SEAG Program principles. The City accepted this structure as appropriate during the agreement period.*

### ***Subrecipient #2 – Washington Kids in Transition***

*For the second subrecipient, the City followed its standard internal audit process, which includes a quarterly review of 10% of submitted invoices to validate eligibility and ensure federal program compliance. After completing the first-quarter audit, the City identified concerns related to the supporting documentation for certain grant disbursements. In response:*

- The City escalated oversight and required the subrecipient to submit documentation for 100% of invoices from May through July, encompassing both Q2 and Q3.*
- Concurrently, the City became aware that the subrecipient had not initiated or completed a Single Audit for FY2023. Upon learning that the audit would not be submitted by the federal deadline (September 30), the City immediately ceased all grant funding and closed the program.*
- Though additional invoices were received in August and September, the City determined that the heightened audit activity from May through July had addressed the prior concerns. Q3 was considered to have been appropriately audited, and no further audit was conducted for the final period. The City has not resumed any partnership with this entity since September 2024.*
- The subrecipient ultimately declined to obtain the required Single Audit for FY2023 and FY2024.*

### ***Review of Prior – Year Subrecipient Audit Requirements***

*As part of the City's monitoring efforts for subrecipients from previous fiscal years, the Deputy Director of Finance at the time requested Single Audit reports directly from the two college subrecipients and was ultimately able to obtain the reports through the*

*Federal Audit Clearinghouse (FAC). While the City does not have documentation to confirm this process, it was discussed during internal meetings that the reports had been reviewed, and this task was considered complete at the time.*

*Of the four subrecipients referenced in the audit, the third was a nonprofit organization for which the Deputy Director reviewed publicly available financial records. Based on that review, it was determined the organization did not meet the \$750,000 federal expenditure threshold and was therefore not subject to a Single Audit. The fourth subrecipient, the entity that did not complete the required audit, was addressed in the corrective actions outlined above.*

#### ***Planned and Ongoing Corrective Actions***

*To strengthen subrecipient oversight moving forward, the City is implementing the following corrective actions:*

- Updated Subrecipient Agreements: All future contracts will include specific and detailed language regarding audit thresholds, access to documentation, and monitoring expectations, including reference to Uniform Guidance requirements.*
- Audit Verification Procedures: The City will implement a documented protocol for tracking and verifying Single Audits for any subrecipient receiving \$750,000 or more in federal funds.*
- Monitoring Documentation: The City will maintain written records of all monitoring activities, including eligibility reviews, audit follow-up, and subrecipient communication.*
- Staff Training and Process Improvements: Staff responsible for subrecipient oversight will receive updated training on monitoring standards, documentation expectations, and federal compliance protocols.*

*These actions will be implemented prior to any future program launches involving subawards of federal funds and will also apply to the monitoring of any current active grants. Although no additional funding of this type was issued in 2024, the City will be subject to audit for this period and will ensure compliance with all applicable requirements, including collecting the FY2024 Single Audit reports as required.*

#### ***Corrective Action Plan – Procurement***

*"The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative."*

***Our response to the auditor's statements regarding the vehicles purchased with ARPA funds are as follows.***

*"The City's internal controls were ineffective for ensuring it complied with federal procurement requirements. Although the City has written procurement policies, they do not address requirements for piggybacking and purchasing through a cooperative."*

- *The City's Purchasing Policy addresses requirements for "piggybacking" and purchasing through a Cooperative in section 13.0 Interlocal Agreements. However, the City should update the Purchasing Policy section 11.0 Procurement Using Federal Funds to include the same language that specifies the process of Interlocal and Cooperative agreements, or "piggybacking".*
- *As stated in the auditor's draft notification, state and federal requirements allow it to bypass normal procurement laws through a process commonly referred to as "piggybacking". This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. When piggybacking, the entity must enter into an agreement before it purchases services or goods from another entity's contract. If the City uses such an agreement, federal regulations require it to confirm the awarding entity followed all procurement laws and regulations applicable to the entity when selecting the contractor.*

*To ensure compliance,*

- *Although the city did confirm that the vendor followed their own bid law requirements, the City will do a better job documenting that verification in any future equipment purchases using federal funding.*

**Anticipated date to complete the corrective action: Completed**



## ABOUT THE STATE AUDITOR'S OFFICE

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