



CITY OF EDMONDS WASHINGTON



EDMONDS

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

2022



City of Edmonds Finance Department
FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2022
121 5th Avenue North
Edmonds, WA 98020
425-775-2525



The City of Edmonds, Washington
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

PREPARED BY THE CITY OF EDMONDS FINANCE DEPARTMENT

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FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal, Principal Officials, and Organizational Structure	iii
II. FINANCIAL SECTION	
Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position	
Governmental Funds.....	23
Statement of Revenues, Expenditures, and Changes in	
Fund Balance – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual – Edmonds Rescue Plan Fund	27
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in	
Fund Net Position – Proprietary Funds.....	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Net Position – Fiduciary Fund.....	36
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	37
Notes to the Financial Statements	39
Required Supplementary Information:	
Schedule of Changes in Total OPEB Liability and Related Ratios	89
Schedule of Changes in Net Pension Liability and Related Ratios.....	90
Firemen's Pension Fund Schedule of Contributions	91
Public Employees' Retirement System Plan 1	92
Schedule of Proportionate Share of the Net Pension Liability	
Public Employees' Retirement System Plans 2 and 3	92
Schedule of Proportionate Share of the Net Pension Liability	
Law Enforcement Officers' & Fire Fighters' System Plan 1	93
Schedule of Proportionate Share of the Net Pension Liability	
Law Enforcement Officers' & Fire Fighters' System Plan 2	94
Schedule of Proportionate Share of the Net Pension Liability	
Public Employees' Retirement System Plan 1	95
Schedule of Employer Contributions	

Required Supplementary Information - continued:

Public Employees' Retirement System Plans 2 and 3	95
Schedule of Employer Contributions	
Law Enforcement Officers' & Fire Fighters' System Plan 1	96
Schedule of Employer Contributions	
Law Enforcement Officers' & Fire Fighters' System Plan 2	96
Schedule of Employer Contributions	



CITY OF EDMONDS

CITY HALL

121 5th AVENUE NORTH • EDMONDS, WA 98020

425.771.0240 • FAX 425.771.0265

January 11, 2024

To the Honorable Mayor Nelson,
Members of the Edmonds City Council,
and the Citizens of Edmonds

I am pleased to provide the Financial Statements of the City of Edmonds for the year ended December 31, 2022. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

As management for the City we are responsible for the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the State Auditor's Office (SAO). State law provides for an annual independent audit to be conducted by the SAO. This report includes the auditor's opinion with respect to the city's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Edmonds' MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

The City of Edmonds, incorporated in 1890, is located within Snohomish County and is 15 miles north of Seattle. Edmonds is the 29th most populous city in the State, occupies a land area of 8.9 square miles, and serves a population of approximately 42,780. A picturesque waterfront community, Edmonds offers an appealing small-town quality of life, complemented by many amenities including specialty shops, a variety of restaurants, an active arts community, and an array of outdoor activities.

The City of Edmonds is a non-charter code city operating under a strong mayor-council form of government. Policy making and legislative authority are vested with a seven-member city council elected to staggered four-year terms and elected at-large, rather than by district. The City Council is responsible for establishing policy objectives and for allocating the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out Council policy directives and for the oversight of day-to-day operations of the City. Edmonds provides a full range of local government services including public safety; streets; parks and recreation; human services; planning and zoning; permits and inspection; general administration; and water, sewer, stormwater and wastewater treatment facilities.

This report includes all funds, boards, and commissions that are controlled by, or are dependent on, the City's executive and legislative departments. The Edmonds Public Facilities District is included as part of the reporting entity as a discretely presented component unit. Additional information on the reporting entity can be found in the Notes to the Financial Statements.

The City prepares annual budgets in accordance with the Revised Code of Washington (RCW) 35A.33. Annual budgets must be adopted by the City Council prior to the first of each year. The Mayor may make transfers of appropriations between departments within any fund. Increases or decreases to appropriations at the Fund level or the addition of new personnel require City Council approval.

LOCAL ECONOMY

Edmonds was incorporated in 1890. Early residents were employed by shingle mills and logging companies that were in the area at that time. Edmonds is located on Puget Sound, is part of the Seattle metropolitan area and is located 15 miles north of Seattle and 18 miles southwest of Everett. While Edmonds has over 5,600 licensed businesses, its economy is greatly affected by the economies of the surrounding region. Edmonds is the third largest city in Snohomish County. Finance, insurance, real estate and other service industries comprise over half of all licensed businesses, followed by the retail industry. Major local employers include Swedish Edmonds Hospital, the Edmonds School District, and the City of Edmonds.

Financial indicators continued to show improvement throughout 2022. Total assessed valuation for property grew from 2021 to 2022, sales tax revenues have seen continued growth for several years, and property tax revenues continue to increase, largely from new construction.

ECONOMIC OUTLOOK

The COVID-19 outbreak, which started in late 2019, has affected economies globally. Despite this, the City has weathered the pandemic relatively well, with the General Fund's 2022 ending fund balance equaling 40% of General Fund expenditures. However, the structural inequities created by the 1% cap on property taxes continue to have a significant impact on the General Fund. With approximately one-third of General Fund revenues coming from property taxes, the arbitrary limitation imposed on annual increases to property tax revenue creates a serious structural imbalance when costs increase at a much faster rate during times of high inflation, as we have experienced recently.

Edmonds is in a continuous process of both short-term and long-term financial planning. Short-term financial planning is a major component of the development of the City's annual budget. Concurrent with the annual budget is the City's long-term capital needs as assessed with the development of the six-year capital facility plan and capital improvement plan. These plans are a component of the

Comprehensive Master Plan, which outlines how the City should look and function in twenty years and creates a vision that can be realistically implemented. An integral part of this vision is determining how to allocate the City's financial resources to achieve the desired goals.

During the development of the 2022 Budget, revenues were forecast to grow at a slow pace during the year, and the COVID-19 crisis has caused City Management to constantly monitor city revenues. The City entered this crisis in a very strong financial position, as over the past several years the City Administration and City Council have built significant reserves. Moving forward, economic conditions, including recent high inflation levels and market uncertainty, will be continually monitored and adjustments to City spending and services will be made to maintain the City's financial health.

Long-term plans will focus on ensuring that the City continues to be economically strong and viable. The City continues to conduct a strategic planning process with significant public outreach and involvement. One of the outcomes of this process will be resource allocation input for the City Council in areas that are important to the community.

OTHER RELEVANT INFORMATION

INDEPENDENT AUDIT

State law requires an annual audit of all City books of accounts and financial records by the Office of the State Auditor. The Auditor has broad legal authority to inquire into all financial and legal compliance matters. The 2022 financial audit of the City is complete and was conducted in conformance with Generally Accepted Auditing Standards. The financial statements of all City funds were included in this audit. The City has been given an unmodified opinion for 2022; see the Auditor's Report beginning on Page 1 of these financial statements.

ACKNOWLEDGMENTS

The preparation on a timely basis of the City of Edmonds' Financial Statements could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. I would especially like to express my appreciation to Debra Sharp, Sarah Mager, Marissa Cain, Nori Jacobson, and Lori Palmer. Staff would like to express our gratitude to the Mayor and Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Sincerely,



David A Turley, CPA
Administrative Services Director



CITY OFFICIALS

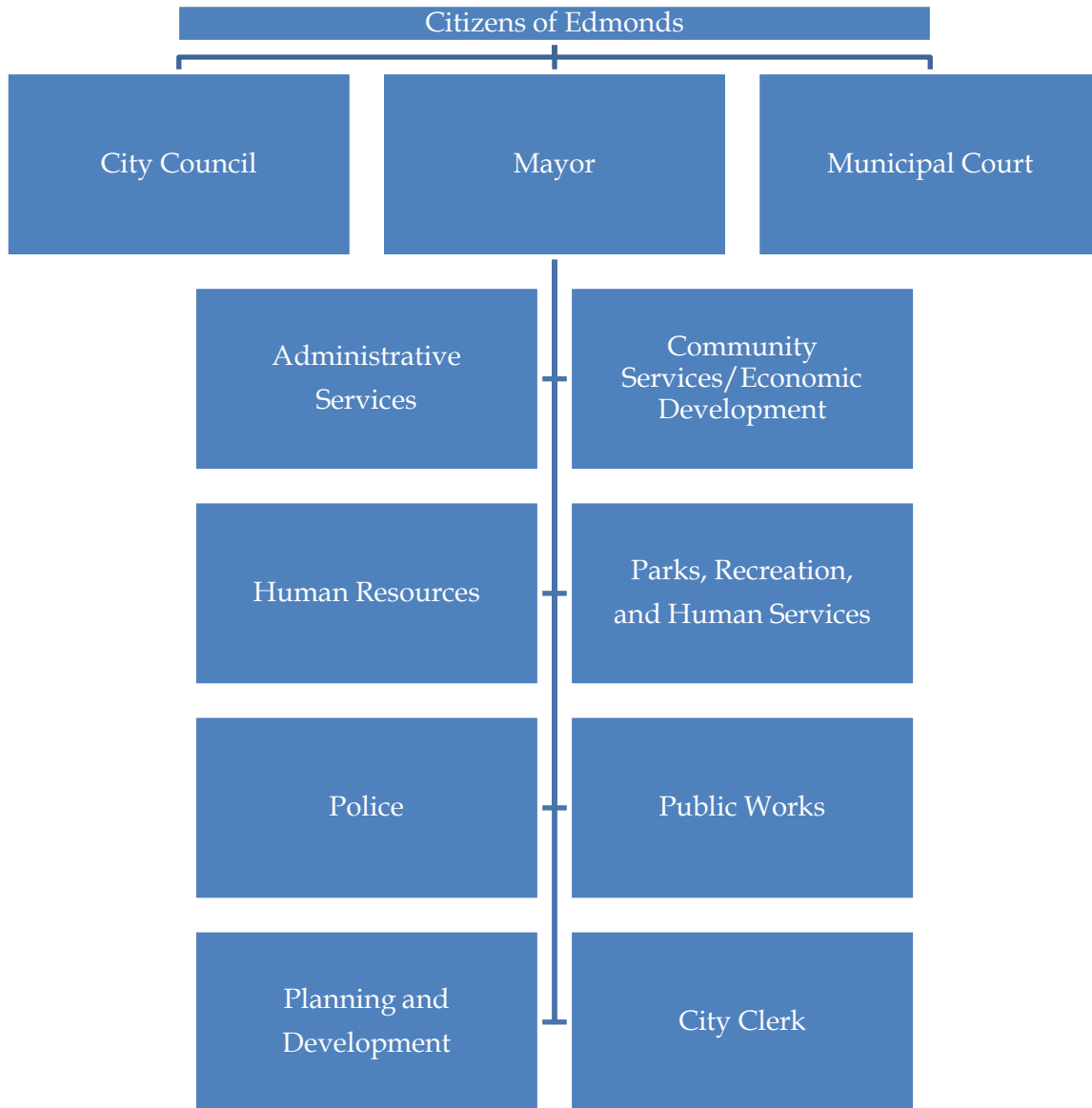
2022 CITY COUNCIL

Council President, Position #5	Vivian Olson
Councilmember, Position #1 (January through July)	Kristiana Johnson
Councilmember, Position #1 (September through December)	Dave Teitzel
Councilmember, Position #2	Will Chen
Councilmember, Position #3	Neil Tibbott
Councilmember, Position #4	Diane Buckshnis
Councilmember, Position #6	Susan Paine
Councilmember, Position #7 (January through September)	Laura Johnson
Councilmember, Position #7 (October through December)	Jenna Nand

CITY ADMINISTRATION

Mayor	Mike Nelson
Administrative Services Director	Dave Turley
Community Services/Economic Development Director	Todd Tatum
Parks, Recreation, and Human Services Director	Angie Feser
Public Works Director	Oscar Antillon
Police Chief	Michelle Bennett
Human Resources Director	Jessica Neill-Hoyson
Municipal Court Judge	Whitney Rivera
Planning and Development Director	Susan McLaughlin
City Clerk	Scott Passey

City of Edmonds, Washington 2022 Organization Chart





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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

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, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Edmonds, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Edmonds, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General 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 January 11, 2024 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

January 11, 2024

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, 2022. 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

- The regional, national and global economies have nearly fully recovered from the impacts of the COVID-19 pandemic. The City's revenue performance in many areas remained strong in 2022. Sales taxes continued to experience year over year growth, total taxable assessed property values in the City increased by 8 percent over 2021, and the estimated actual value of property increased by 23%.
- The structural inequities created by the 1% cap on property taxes continue to have a significant impact on the General Fund. From 2010 through 2022 the country experienced an average inflation rate of around 2.8%. At this rate \$1.00 in 2010 would be equivalent to \$1.26 in 2022, a 26% increase. During that period the City's total estimated actual property values increased from \$7.70 trillion in 2010 to \$16.73 trillion in 2022, an increase of 117%. The City's total taxable assessed value increased from \$6.96 trillion in 2010 to \$12.58 trillion in 2022, an increase of 81%. However, during that same period the City's actual tax levy increased from \$13.72 million in 2010 to \$14.87 million, an increase of only 8%.
- General Fund expenses increased from \$41.7 million in 2021 to \$45.4 million in 2022, an increase of 8.9%. Several factors played a part in this increase, including most notably a decrease in spending in 2021 compared to 2020 due to reduced spending in 2020 due to the pandemic, and an increase in regional and national inflation. After several years of very low inflation levels, inflation in the Puget Sound region reached levels of 8% to 10% in 2022. With property taxes making up approximately a third of General Fund revenues, the lack of growth in property tax revenue described in the previous paragraph will continue to have a negative impact on the General Fund.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at fiscal year-end by \$240.1 million (net position), an increase of \$16.0 million over 2021. Of this amount, \$170.2 million is a net investment in capital assets. The unrestricted net position totals \$41.7 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals \$28 million and is earmarked for debt service, capital projects, special revenue funds and pension costs.
- The City's total net position improved by \$16.0 million in 2022. Governmental activities increased by \$7.7 million and business-type activities increased by \$8.2 million.
- Governmental funds reported a combined ending fund balance of \$35.7 million; a \$5.3 million decrease from the prior year. Of this amount, \$18.2 million is unassigned and available to fund ongoing activities. The committed fund balance category totals \$3.4 million. The 2022 unassigned fund balance equals 40.1% of 2022 general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is 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 three categories of funds: governmental funds, proprietary funds, and fiduciary 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.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals or other entities. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position as part of the basic financial statements. The basic fiduciary fund financial statements can be found following the proprietary 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 2022 government-wide statement of net position with a comparison to 2021:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 71,990,636	\$ 84,504,692	\$ 38,836,254	\$ 39,720,317	\$ 110,826,890	\$ 124,225,009
Capital assets, net	93,737,108	83,547,367	131,445,498	126,413,235	225,182,606	209,960,602
Total assets	165,727,744	168,052,059	170,281,752	166,133,552	336,009,496	334,185,611
Deferred outflows of resources	6,989,495	2,417,608	765,592	326,343	7,755,087	2,743,951
Deferred outflows of resources	6,989,495	2,417,608	765,592	326,343	7,755,087	2,743,951
Total assets and deferred outflows of resources	172,717,239	170,469,667	171,047,344	166,459,895	343,764,583	336,929,562
Current liabilities	16,120,820	12,635,294	6,059,137	6,337,981	22,179,957	18,973,275
Noncurrent liabilities	22,498,601	22,386,540	50,255,914	52,072,754	72,754,515	74,459,294
Total liabilities	38,619,421	35,021,834	56,315,051	58,410,735	94,934,472	93,432,569
Deferred inflows of resources	7,783,917	16,878,292	928,641	2,478,123	8,712,558	19,356,415
Deferred inflows of resources	7,783,917	16,878,292	928,641	2,478,123	8,712,558	19,356,415
Total liabilities and deferred inflows of resources	46,403,338	51,900,126	57,243,692	60,888,858	103,647,030	112,788,984
NET POSITION						
Net investment in capital assets	93,327,496	75,944,654	76,875,351	72,704,847	170,202,847	148,649,501
Restricted	24,203,885	35,884,276	3,983,194	5,400,412	28,187,079	41,284,688
Unrestricted	8,782,520	6,740,611	32,945,107	27,465,778	41,727,627	34,206,389
Total net position	\$ 126,313,901	\$ 118,569,541	\$ 113,803,652	\$ 105,571,037	\$ 240,117,553	\$ 224,140,578

Analysis of Net Position

Total net position (assets and deferred outflows, minus liabilities and deferred inflows) of the primary government was \$240.1 million at December 31, 2022 an improvement of \$16.0 million or 7% compared to December 31, 2021. Governmental activities increased their net position by \$7.7 million and business-type activities increased their net position by \$8.2 million.

The largest component of the City's net position, \$170.2 million, or 71.0%, 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 \$28.2 million of the primary government's total net position is restricted for debt service payments, transportation improvements, pensions, and other purposes, a decrease of \$13 million compared to 2021. The primary government's December 31, 2022 unrestricted net position totals \$41.7 million, a \$7.4 million increase compared to the previous year.

The December 31, 2022 governmental activities unrestricted net position of \$8.8 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 \$24.2 million. Approximately \$14.1 million is restricted for purposes such as public safety, transportation, culture and recreation, and other purposes and \$10.1 million is restricted for pensions.

Unrestricted net position of the City's business-type activities totals \$32.9 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 2022 results with 2021. 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	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues:						
Charges for services	\$ 10,366,145	\$ 12,256,228	\$ 30,998,644	\$ 29,074,503	\$ 41,364,789	\$ 41,330,731
Operating grants and contributions	4,853,491	1,820,016	40,700	54,112	4,894,191	1,874,128
Capital grants and contributions	5,864,896	2,849,167	3,290,665	6,807,778	9,155,561	9,656,945
General revenues:						
Property taxes	14,814,499	14,671,656	-	-	14,814,499	14,671,656
Sales taxes	12,605,880	11,698,718	-	-	12,605,880	11,698,718
Interfund utility taxes	2,401,049	2,382,313	-	-	2,401,049	2,382,313
Utility taxes	4,198,886	4,081,583	-	-	4,198,886	4,081,583
Excise taxes	6,459,298	7,450,746	-	-	6,459,298	7,450,746
Interest and investment earnings	(618,323)	348,388	(504,589)	139,800	(1,122,912)	488,188
Miscellaneous	702,366	470,853	261	3,357	702,627	474,210
Gains on disposition of assets	295,544	115,896	-	-	295,544	115,896
Total revenues	<u>61,943,731</u>	<u>58,145,564</u>	<u>33,825,681</u>	<u>36,079,550</u>	<u>95,769,412</u>	<u>94,225,114</u>
EXPENSES						
Governmental activities:						
General government	12,779,250	13,815,118	-	-	12,779,250	13,815,118
Public safety	26,922,648	20,332,127	-	-	26,922,648	20,332,127
Utilities and environment	253,819	231,245	-	-	253,819	231,245
Transportation	5,846,088	4,183,318	-	-	5,846,088	4,183,318
Economic environment	1,993,488	1,238,234	-	-	1,993,488	1,238,234
Mental and physical health	38,676	84,642	-	-	38,676	84,642
Culture and recreation	6,095,415	5,428,474	-	-	6,095,415	5,428,474
Interest on long-term debt	270,922	88,618	-	-	270,922	88,618
Business-Type activities:						
Water Fund	-	-	7,393,505	7,528,628	7,393,505	7,528,628
Storm Fund	-	-	4,307,280	4,070,878	4,307,280	4,070,878
Sewer Fund	-	-	13,891,346	11,441,202	13,891,346	11,441,202
Total expenses	<u>54,200,306</u>	<u>45,401,776</u>	<u>25,592,131</u>	<u>23,040,708</u>	<u>79,792,437</u>	<u>68,442,484</u>
Excess (deficiency) before transfers	7,743,425	12,743,788	8,233,550	13,038,842	15,976,975	25,782,630
Transfers	935	534	(935)	(534)	-	-
Increase (decrease) in net position	7,744,360	12,744,322	8,232,615	13,038,308	15,976,975	25,782,630
Net position - beginning	118,569,541	105,825,219	105,571,037	92,532,729	224,140,578	198,357,948
Net position - ending	<u>\$ 126,313,901</u>	<u>\$ 118,569,541</u>	<u>\$ 113,803,652</u>	<u>\$ 105,571,037</u>	<u>\$ 240,117,553</u>	<u>\$ 224,140,578</u>

Analysis of the Changes in Net Position

Net position of the primary government increased by \$16.0 million, resulting from increases to both revenues and expenditures. An increase in sales tax, excises taxes and federal ARPA money contributed to the increase in revenues. Total government-wide revenues of the primary government increased by \$1 million or 1.1% and total expenses increased by \$8.8 million or 19.4% 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 \$7.7 million, the result of increases to both revenues and expenses compared to 2021. Governmental activity expenses increased by \$8.8 million or 19.4% and Governmental activity revenues increased by \$1.0 million, or 1.1% from 2021 levels.

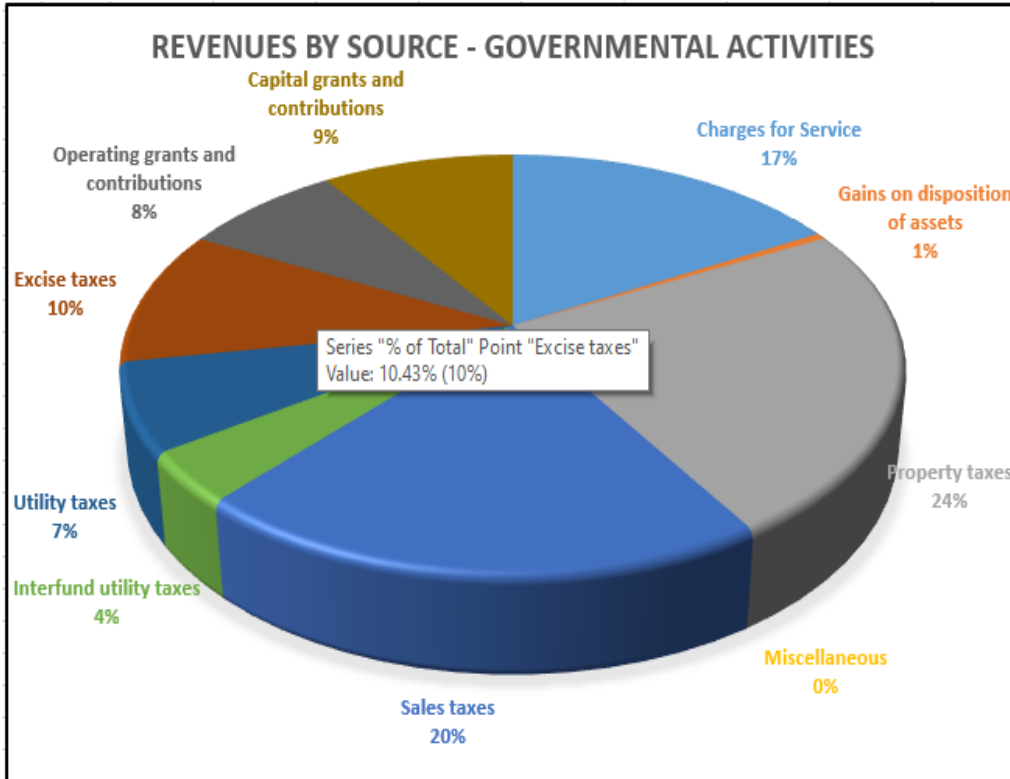
Below are some significant changes to revenues for 2022:

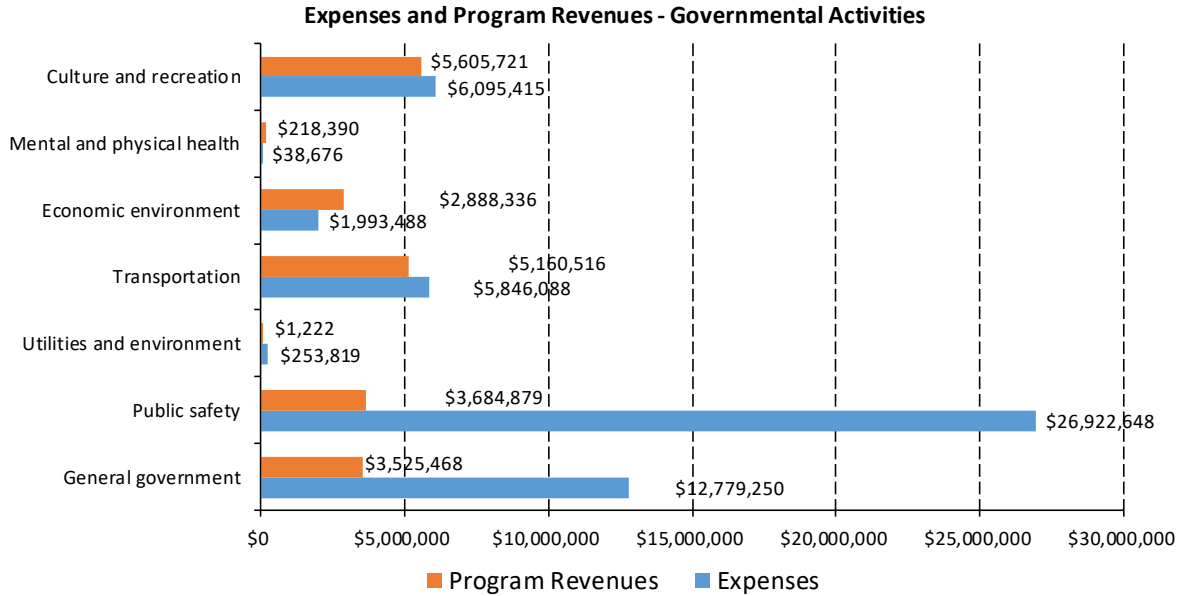
- Operating Grants and Contributions increased by \$3,033,475, or 167%.
- Capital Grants and Contributions increased by \$3,015,729 or 106%.
- Property tax collections increased by \$142,843, or 1%.
- Sales tax collections increased by \$907,162 or 8%.

Below are some significant changes to expenses for 2022:

- Investments in Public Safety increased by \$6,590,521, or 32%.
- Investments in Transportation increased by \$1,662,770 or 40%.
- Investments in Culture & Recreation increased by \$666,941 or 12%.

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.



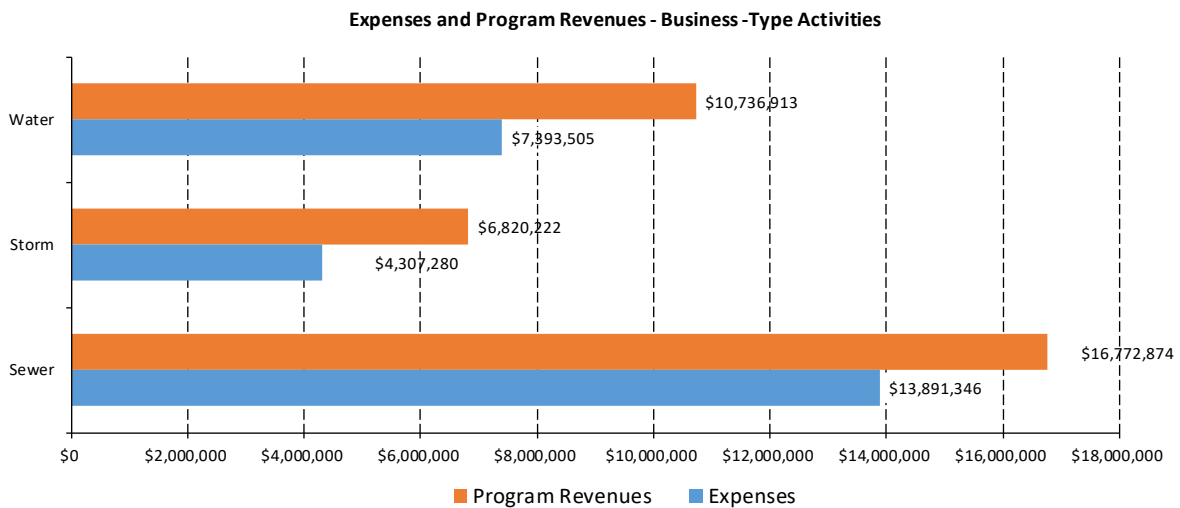


Business-type Activities:

Business-type activities net position increased by \$8.2 million, or 7.8%, compared to an increase in net position of \$13.0 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.

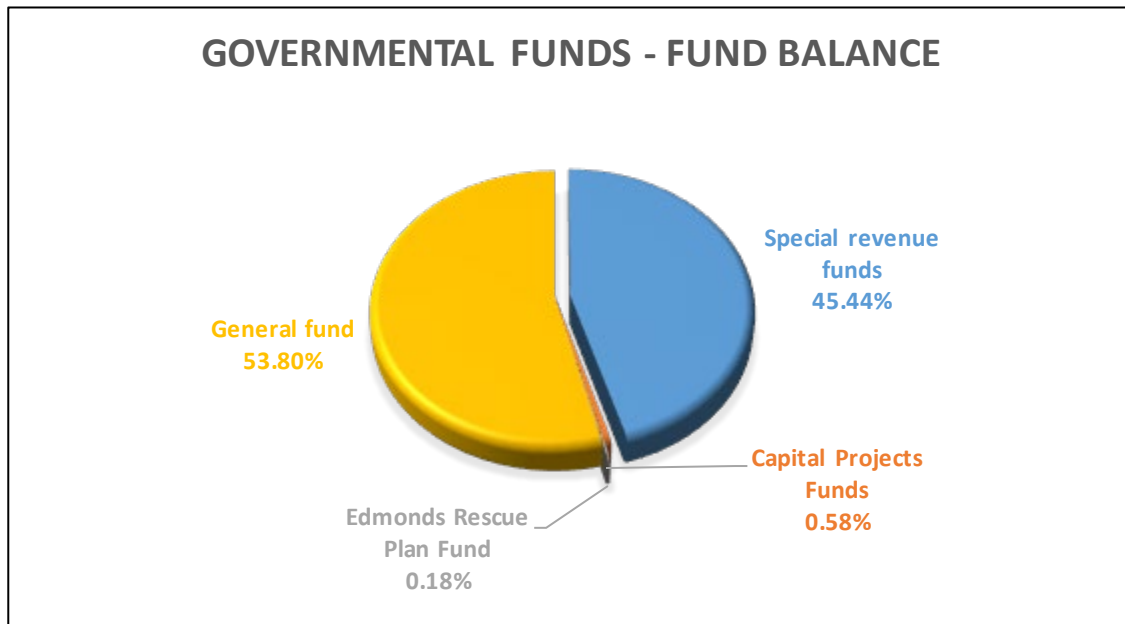
Governmental funds

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, 2022, the City's governmental funds had combined fund balances of \$35.8 million, a decrease of \$5.2 million or 12.6% from 2021. Approximately 50.9% or \$18.2 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 2022 fund balance decreased by \$4.0 million or 17.0% from 2021. While on the surface this may appear to be significant, it should be taken in context with the changes experienced in 2021, when the General Fund saw an increase in fund balance of \$5.8 million. The fund balance increase in 2021 resulted from reduced spending as the City grappled with the effects of the pandemic, and the fund balance decrease that followed in 2022 reflects the changes experienced as the City rebounded from the pandemic. The \$18.2 million of unassigned fund balance of General Fund 001 at the end of 2022 equals 42.5% of 2022 General Fund 001 expenditures, indicating that the City remains in a strong financial position. 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 \$32.9 million, a \$5.5 million increase over 2021. The change in total net position for the three funds was an \$8.2 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 2022 General Fund expenditure budget of \$49.3 million was amended to include additional appropriations of \$4.5 million, the majority of which was for an increase of \$1.6 million to the service contract with South County Fire, \$665,000 for repairs and maintenance costs to city property, \$462,000 for service contracts related to building maintenance, \$128,000 increase to the City's insurance premium, and various increases for salaries and benefits, professional services, and IT costs. The budget increase also included carryforwards for several projects carried over from 2021. 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 \$3.5 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 \$8.4 million or 18.4% 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, 2022 amounts to \$170.2 million, an increase of \$21.6 million from 2021. 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 \$93.7 million in 2022, an increase of \$10.1 million from 2021. Business-type capital assets (net of depreciation) totaled \$131.4 million, an increase of \$5.0 million from 2021. 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 12/31/22	As of 12/31/21	As of 12/31/22	As of 12/31/21	As of 12/31/22	As of 12/31/21
(in thousands)						
Land	\$ 17,940	\$ 18,010	\$ 1,257	\$ 1,257	\$ 19,197	\$ 19,267
Building	6,737	7,128	14,435	14,780	21,172	21,908
Improvements other than buildings	17,733	18,621	77,580	81,312	95,313	99,933
Infrastructure	24,189	25,268	-	-	24,189	25,268
Machinery and Equipment	5,428	5,045	397	439	5,825	5,484
Intangible Assets	455	154	62	47	517	201
Construction in Progress	21,255	9,427	37,715	28,579	58,970	38,006
Total	\$ 93,737	\$ 83,655	\$ 131,445	\$ 126,414	\$ 225,183	\$ 210,069

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$59.9 million. Of this amount, \$11.8 million is general obligation bonds for governmental activities, \$6.1 million is general obligation bonds for business-type activities, and \$42.0 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 12/31/22	As of 12/31/21	As of 12/31/22	As of 12/31/21	As of 12/31/22	As of 12/31/21
General Obligation Debt	\$ 11,845,000	\$ 12,370,000	\$ 6,070,000	\$ 6,585,000	\$ 17,915,000	\$ 18,955,000
Revenue Bonds	-	-	41,955,000	42,765,000	41,955,000	42,765,000
Notes from Direct Borrowing	527,488	683,931	2,178,981	2,674,895	2,706,469	3,358,826
Total	\$ 12,372,488	\$ 13,053,931	\$ 50,203,981	\$ 52,024,895	\$ 62,576,469	\$ 65,078,826

Economic Factors and Future Budgets

Principal factors influencing the City’s 2022 budget include continued improvement in sales tax and excise tax revenues stemming from the improving retail sales, sales of real estate, and construction activity in the City, and continued slow growth in the overall economy.

The City Council adopted the 2023 budget in late December of 2022. Our budget reflects the goals of the Mayor and City Council, maintains the long-term financial health and stability of our General Fund and reserves, and continues the delivery of high-quality services for our community. The 2023 Adopted Budget includes these initiatives:

- \$1,215,000 to pay for deferred maintenance and repairs to city buildings and infrastructure
- \$1,772,000 for a Citywide Bicycle Improvement Program
- \$1,076,000 for Parks personnel and equipment for maintenance at Highway 99 and Civic Field
- \$1,300,000 to expand the Police Department’s Patrol Support
- \$902,000 for the Elm Way Walkway project
- \$320,000 to fund two new positions in the Human Resources Department
- \$800,000 to expand the Police Department’s Criminal Investigations Division
- \$744,000 to purchase nine new Patrol Cars
- \$470,000 to update the City’s Comprehensive Plan and Transportation Plan
- \$600,000 to update the City’s Storm and Surface Water Comprehensive Plan
- \$250,000 for a façade improvement program
- \$599,000 for updates to the Parks Beautification Program and other citywide park improvements
- \$499,000 for Mathay Ballinger Park Improvements
- \$258,000 for Yost Park Inclusive Playground equipment
- \$220,000 for a Capital Projects Manager and related equipment
- \$805,000 for repairs and upgrades to the Yost and Seaview Reservoirs
- \$750,000 for a Lower Perrinville Creek Restoration Project
- \$270,000 for a Perrinville Creek Basin Analysis update and Flow Management projects
- \$750,000 for improvements to Lake Ballinger Way Floodplain
- \$298,000 for Green Street projects

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City presents two government-wide financial statements:

The Statement of Net Position provides information on difference between assets and deferred outflows and liabilities and deferred inflows.

The Statement of Activities is focused on 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.



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City of Edmonds
Statement of Net Position
December 31, 2022

	Primary Government			Component Unit
	Governmental	Business-type	Total	Edmonds Public Facilities
	Activities	Activities		District
ASSETS				
Current assets:				
Cash & equity in pooled investments	\$ 7,898,997	\$ 7,375,581	\$ 15,274,578	\$ 343,332
Deposits with trustees	11,053	-	11,053	-
Investments	37,107,862	20,080,211	57,188,073	-
Taxes receivable	222,617	-	222,617	-
Customer accounts	946,088	4,459,787	5,405,875	56,626
Leases receivable	379,268	-	379,268	129,086
Court receivable	188,416	-	188,416	-
Other receivable	-	-	-	265,026
Interest on investments	193,671	-	193,671	-
Due from other governments	5,661,919	2,710,582	8,372,501	128,912
Due from component unit	260,000	-	260,000	-
Inventory of materials & supplies	38,314	236,849	275,163	9,818
Prepayments	-	-	-	50,535
Total current assets	52,908,205	34,863,010	87,771,215	983,335
Noncurrent assets:				
Restricted cash and cash equivalents	3,048,516	3,279,630	6,328,146	764,110
Opioid Restricted Receivable	657,671	-	657,671	-
Leases receivable - long-term	909,412	-	909,412	726,964
Due from component unit - long-term	3,392,381	-	3,392,381	-
Restricted net pension asset	10,055,135	693,614	10,748,749	310,907
Investment in joint venture	1,019,316	-	1,019,316	-
Depreciable capital assets (net)	54,542,050	92,473,358	147,015,408	6,407,723
Non Depreciable capital assets	39,195,058	38,972,140	78,167,198	3,452,226
Total noncurrent assets	112,819,539	135,418,742	248,238,281	11,661,930
Total assets	165,727,744	170,281,752	336,009,496	12,645,265
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - Debt refunding	28,322	13,919	42,241	-
Deferred outflows of resources - Pension	6,961,173	751,673	7,712,846	344,047
Total deferred outflows of resources	6,989,495	765,592	7,755,087	344,047
Total assets and deferred outflows of resources	172,717,239	171,047,344	343,764,583	12,989,312
LIABILITIES				
Current liabilities:				
Accounts payable	2,745,370	1,835,319	4,580,689	85,111
Accrued wages	1,451,524	222,776	1,674,300	128,936
Internal balances	(255,166)	255,166	-	-
Due to other governmental units	-	289,744	289,744	-
Other current liabilities	273,345	1,088,773	1,362,118	-
Accrued bond interest payable	29,920	147,811	177,731	4,743
Deposits payable	-	9,948	9,948	46,400
Total other post employment liability	375,000	-	375,000	-
Due within one year	2,192,928	2,209,600	4,402,528	492,063
Unearned Revenue	9,307,899	-	9,307,899	517,647
Total current liabilities	16,120,820	6,059,137	22,179,957	1,274,900
Noncurrent liabilities:				
Pension liabilities	2,753,842	420,051	3,173,893	179,063
Total other post employment liability	5,484,656	-	5,484,656	-
Due in more than one year	14,260,103	49,835,863	64,095,966	5,192,772
Deferred Lease Revenue	-	-	-	726,964
Total noncurrent liabilities	22,498,601	50,255,914	72,754,515	6,098,799
Total liabilities	38,619,421	56,315,051	94,934,472	7,373,699
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - Leases	1,288,680	-	1,288,680	-
Deferred inflows of resources - Debt refunding	48,797	169,314	218,111	-
Deferred inflows of resources - Pension	6,446,440	759,327	7,205,767	428,337
Total deferred inflows of resources	7,783,917	928,641	8,712,558	428,337
Total liabilities and deferred inflows of resources	46,403,338	57,243,692	103,647,030	7,802,036
NET POSITION				
Net investment in capital assets	93,327,496	76,875,351	170,202,847	4,234,248
Restricted for:				
Customer Deposits	-	9,948	9,948	-
Debt Service	-	3,279,631	3,279,631	1,203,929
Public Safety	67,570	-	67,570	-
Transportation	2,848,190	-	2,848,190	-
Economic Environment	199,236	-	199,236	-
Social Services	234,566	-	234,566	-
Culture and Recreation	10,730,287	-	10,730,287	-
Other	68,901	-	68,901	-
Pensions	10,055,135	693,615	10,748,750	-
Unrestricted	8,782,520	32,945,107	41,727,627	(250,901)
Total net position	\$126,313,901	\$ 113,803,652	\$ 240,117,553	\$ 5,187,276

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

City of Edmonds
Statement of Activities
For the Year Ended December 31, 2022

Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,779,250	\$ 3,380,574	\$ 144,894	\$ -
Public safety	26,922,648	3,419,447	265,125	307
Utilities and environment	253,819	72	1,150	-
Transportation	5,846,088	442,478	142,622	4,575,416
Economic environment	1,993,488	1,772,701	1,115,635	-
Mental and physical health	38,676	218,390	-	-
Culture and recreation	6,095,415	1,132,483	3,184,065	1,289,173
Interest on long-term debt	270,922	-	-	-
Total governmental activities	<u>54,200,306</u>	<u>10,366,145</u>	<u>4,853,491</u>	<u>5,864,896</u>
Business-type activities:				
Water Utility	7,393,505	10,388,779	-	348,134
Storm Utility	4,307,280	6,505,686	40,700	273,836
Sewer Utility	13,891,346	14,104,179	-	2,668,695
Total business-type activities	<u>25,592,131</u>	<u>30,998,644</u>	<u>40,700</u>	<u>3,290,665</u>
Total primary government	<u>\$ 79,792,437</u>	<u>\$ 41,364,789</u>	<u>\$ 4,894,191</u>	<u>\$ 9,155,561</u>
Component Unit				
Edmonds Public Facilities District	<u>3,810,529</u>	<u>2,608,106</u>	<u>1,176,194</u>	<u>115,967</u>
Total component unit	<u>\$ 3,810,529</u>	<u>\$ 2,608,106</u>	<u>\$ 1,176,194</u>	<u>\$ 115,967</u>

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.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Edmonds Public Facilities District
\$ (9,253,782)	\$ -	\$ (9,253,782)	\$ -
(23,237,769)	-	(23,237,769)	-
(252,597)	-	(252,597)	-
(685,572)	-	(685,572)	-
894,848	-	894,848	-
179,714	-	179,714	-
(489,694)	-	(489,694)	-
(270,922)	-	(270,922)	-
<u>(33,115,774)</u>	<u>-</u>	<u>(33,115,774)</u>	<u>-</u>
-	3,343,408	3,343,408	-
-	2,512,942	2,512,942	-
-	2,881,528	2,881,528	-
-	8,737,878	8,737,878	-
<u>(33,115,774)</u>	<u>8,737,878</u>	<u>(24,377,896)</u>	<u>-</u>
			<u>89,738</u>
			<u>89,738</u>
14,814,499	-	14,814,499	-
12,605,880	-	12,605,880	-
2,401,049	-	2,401,049	-
4,198,886	-	4,198,886	-
6,459,298	-	6,459,298	-
(618,323)	(504,589)	(1,122,912)	29,407
702,366	261	702,627	-
295,544	-	295,544	-
935	(935)	-	-
<u>40,860,134</u>	<u>(505,263)</u>	<u>40,354,871</u>	<u>29,407</u>
7,744,360	8,232,615	15,976,975	119,145
118,569,541	105,571,037	224,140,578	5,068,131
<u>\$ 126,313,901</u>	<u>\$ 113,803,652</u>	<u>\$ 240,117,553</u>	<u>\$ 5,187,276</u>



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MAJOR GOVERNMENTAL FUNDS

The City reports two Major Governmental Funds: The General Fund, and the Edmonds Rescue Plan Fund.

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. As is the case with most municipalities, the general fund is the largest and most important accounting fund of the City. As noted in the statements that follow, the general fund receives the bulk of its revenues from local taxes, followed by charges for goods and services, licenses and permits, and other income.

The general fund is accounted for on a modified accrual basis. Annual budgets are adopted with appropriations lapsing at the end of the year.

Edmonds Rescue Plan Fund

The Edmonds Rescue Plan Fund, a Special Revenue Fund, was created to accept and administer federal funds in accordance with the Federal CARES Act guidelines and the Federal American Rescue Plan Act (ARPA).

City of Edmonds
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Edmonds Rescue Plan Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,579,359	\$ 2,259,890	\$ 1,384,012	\$ 7,223,261
Investments	11,452,554	7,288,053	13,210,355	31,950,962
Deposits with trustee	11,053	-	-	11,053
Property taxes receivable	222,617	-	-	222,617
Customer accounts	945,609	-	-	945,609
Interest on investments	109,356	-	61,665	171,021
Lease Receivable	1,288,680	-	-	1,288,680
Court Receivable	188,416	-	-	188,416
Interfund receivable	255,166	-	-	255,166
Due from other governments	2,496,148	-	3,165,771	5,661,919
Due from component unit	3,652,381	-	-	3,652,381
Restricted cash and investments	3,048,516	-	-	3,048,516
Restricted Opioid Settlement Receivable	657,671	-	-	657,671
Total assets	<u>\$ 27,907,526</u>	<u>\$ 9,547,943</u>	<u>\$ 17,821,803</u>	<u>\$ 55,277,272</u>
LIABILITIES				
Accounts payable	\$ 1,133,715	\$ 175,456	\$ 1,319,841	\$ 2,629,012
Wages and benefits payable	1,338,567	-	63,334	1,401,901
Other current liabilities	177,558	-	95,787	273,345
Unearned revenues	3,678,799	9,307,899	-	12,986,698
Total liabilities	<u>6,328,639</u>	<u>9,483,355</u>	<u>1,478,962</u>	<u>17,290,956</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - leases	1,288,680	-	-	1,288,680
Deferred inflows of resources - property taxes	185,881	-	-	185,881
Deferred inflows of resources - court receivable	161,622	-	-	161,622
Deferred inflows of resources - opioid settlement	608,664	-	-	608,664
Total deferred inflow of resources	<u>2,244,847</u>	<u>-</u>	<u>-</u>	<u>2,244,847</u>
Total liabilities and deferred inflows of resources	<u>8,573,486</u>	<u>9,483,355</u>	<u>1,478,962</u>	<u>19,535,803</u>
FUND BALANCES (DEFICITS)				
Restricted	49,007	64,588	14,035,156	14,148,751
Committed	1,049,766	-	2,307,685	3,357,451
Unassigned	18,235,267	-	-	18,235,267
Total fund balances (deficits)	<u>19,334,040</u>	<u>64,588</u>	<u>16,342,841</u>	<u>35,741,469</u>
Total liabilities and fund balances (deficits)	<u>\$ 27,907,526</u>	<u>\$ 9,547,943</u>	<u>\$ 17,821,803</u>	<u>\$ 55,277,272</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, 2022

Total governmental fund balances as reported on this statement \$ 35,741,469

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	\$	17,939,932	
Construction in progress (\$320,302 attributable to internal service funds)		21,255,126	
		39,195,058	
Subtotal: Non-depreciable capital assets		39,195,058	
Investment in joint venture		1,019,316	
Buildings		25,143,340	
Improvements other than buildings		29,662,040	
Infrastructure		65,264,005	
Machinery and equipment - general government		11,626,532	
Intangible Assets		544,447	
Less: Accumulated depreciation		(77,698,321)	
Subtotal: Depreciable capital assets		54,542,043	94,756,417

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

Net Pension Asset (\$174,954 attributable to internal service funds)		10,055,135	
Deferred outflow of resources - bond refunding		28,322	
Deferred outflow of resources - pension (\$184,583 attributable to internal service funds)		6,961,173	
Deferred inflow of resources - property tax		185,881	
Deferred inflow of resources - court receivable		161,622	
Deferred inflow of resources - opioid settlement		608,664	18,000,797

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 \$4,363,389 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.

5,728,105

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

General obligation bonds		(12,759,815)	
Compensated absences (\$117,876 attributable to internal service funds)		(2,745,822)	
Lease liability		(419,906)	
Governmental Notes - direct borrowing		(527,488)	
Subtotal: Long-term debt payable		(16,453,031)	
Accrued interest payable		(29,920)	
Total pension liabilities (\$44,990 attributable to internal service funds)		(2,753,842)	
Total other post employment benefit liability		(5,859,656)	
Deferred inflow of resources - bond refunding		(48,797)	
Deferred inflow of resources - pension (\$460,073 attributable to internal service funds)		(6,446,440)	
Unearned revenues reported in the Balance Sheet - Governmental Funds are not reported in the government-wide Statement of Net Position (Note 1)		3,678,799	(27,912,887)

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

\$ 126,313,901

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, 2022

	General Fund	Edmonds Rescue Plan Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 34,209,104	\$ -	\$ 4,687,104	\$ 38,896,208
Licenses and permits	2,560,171	-	122,469	2,682,640
Intergovernmental	1,367,290	1,027,076	6,321,188	8,715,554
Charges for services	3,020,624	-	1,111,507	4,132,131
Fines and forfeitures	182,884	-	-	182,884
Investment earnings	(118,235)	-	(396,025)	(514,260)
Contributions	1,150	-	-	1,150
Miscellaneous	414,033	19,701	3,702,786	4,136,520
Total revenues	<u>41,637,021</u>	<u>1,046,777</u>	<u>15,549,029</u>	<u>58,232,827</u>
EXPENDITURES				
Current:				
General government	10,262,817	965,946	-	11,228,763
Public safety	26,116,430	-	6,291	26,122,721
Utilities and environment	-	-	210,169	210,169
Transportation	-	-	5,082,625	5,082,625
Economic environment	2,615,673	61,131	81,336	2,758,140
Mental and physical health	38,676	-	-	38,676
Culture and recreation	4,930,165	-	815,151	5,745,316
Debt service:				
Principal	55,164	-	346,278	401,442
Interest	141,824	-	245,405	387,229
Capital outlay:				
General government	571,829	-	-	571,829
Public safety	674,490	-	-	674,490
Utilities and environment	-	-	564	564
Transportation	-	-	3,978,040	3,978,040
Culture and recreation	15,107	-	7,045,496	7,060,603
Total expenditures	<u>45,422,175</u>	<u>1,027,077</u>	<u>17,811,355</u>	<u>64,260,607</u>
Excess (deficiency) of revenues over expenditures	<u>(3,785,154)</u>	<u>19,700</u>	<u>(2,262,326)</u>	<u>(6,027,780)</u>
OTHER FINANCING SOURCES (USES)				
Lease Contracts	482,709	-	2,766	485,475
Proceeds from sale of capital assets	-	-	17,500	17,500
Insurance Recoveries	257,520	-	-	257,520
Transfers in	26,300	-	1,098,737	1,125,037
Transfers out	(890,062)	-	(234,040)	(1,124,102)
Total other financing sources (uses)	<u>(123,533)</u>	<u>-</u>	<u>884,963</u>	<u>761,430</u>
Net change in fund balances	<u>(3,908,687)</u>	<u>19,700</u>	<u>(1,377,363)</u>	<u>(5,266,350)</u>
Fund balances - beginning	<u>23,242,727</u>	<u>44,888</u>	<u>17,720,204</u>	<u>41,007,819</u>
Fund balances - ending	<u>\$ 19,334,040</u>	<u>\$ 64,588</u>	<u>\$ 16,342,841</u>	<u>\$ 35,741,469</u>

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, 2022

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance \$ (5,266,350)

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	\$	12,435,203	
Current year depreciation		(2,245,042)	
Adjustment in investment in joint venture		(541,612)	
		9,648,549	9,648,549

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		(28,870)	
Deferred inflows of resources - opioid settlement		608,664	
PFD Debt Service		(254,935)	
Other unearned revenue		10,097	
LEOFF 2 Pensions		232,372	
Court receivable		(47,571)	
		519,757	519,757

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		(485,475)	
Long-term debt repayments		681,443	
Lease payments		68,631	
		317,287	317,287

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. 70,757

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		2,210	
Loss on Sale of Assets		(102,479)	
Interest Expense for the PFD		60,428	
Total pension obligation		2,591,534	
Accrued compensating absence expense		(97,333)	
		2,454,360	2,454,360

Change in net position on the Statement of Activities \$ 7,744,360

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 32,568,150	\$ 32,568,150	\$ 34,209,104	\$ 1,640,954
Licenses and permits	2,361,850	2,361,850	2,560,171	198,321
Intergovernmental	1,249,760	1,548,181	1,367,290	(180,891)
Charges for services	6,825,513	7,428,358	3,020,624	(4,407,734)
Fines and forfeitures	448,450	448,450	182,884	(265,566)
Investment earnings	293,910	293,910	(118,235)	(412,145)
Contributions	-	-	1,150	1,150
Miscellaneous	430,930	430,930	414,033	(16,897)
Total revenues	<u>44,178,563</u>	<u>45,079,829</u>	<u>41,637,021</u>	<u>(3,442,808)</u>
EXPENDITURES				
Current:				
General government	14,048,050	15,714,765	10,262,817	5,451,948
Public safety	26,555,350	28,802,836	26,116,430	2,686,406
Transportation	5,000	5,000	-	5,000
Economic environment	2,633,393	2,853,326	2,615,673	237,653
Mental and physical health	134,985	134,985	38,676	96,309
Culture and recreation	5,131,735	5,480,899	4,930,165	550,734
Total current	<u>48,508,513</u>	<u>52,991,811</u>	<u>43,963,761</u>	<u>9,028,050</u>
Debt service:				
Principal	55,170	55,170	55,164	6
Interest	274,078	274,078	141,824	132,254
Total debt service	<u>329,248</u>	<u>329,248</u>	<u>196,988</u>	<u>132,260</u>
Capital outlay:				
General government	200,000	200,000	571,829	(371,829)
Public safety	270,180	270,180	674,490	(404,310)
Culture and recreation	-	-	15,107	(15,107)
Total capital outlay	<u>470,180</u>	<u>470,180</u>	<u>1,261,426</u>	<u>(791,246)</u>
Total expenditures	<u>49,307,941</u>	<u>53,791,239</u>	<u>45,422,175</u>	<u>8,369,064</u>
Excess (deficiency) of revenues over expenditures	<u>(5,129,378)</u>	<u>(8,711,410)</u>	<u>(3,785,154)</u>	<u>4,926,256</u>
OTHER FINANCING SOURCES (USES)				
Lease Contracts	-	-	482,709	482,709
Insurance Recoveries	-	-	257,520	257,520
Transfers in	251,300	251,300	26,300	(225,000)
Transfers out	(1,185,000)	(1,185,000)	(890,062)	294,938
Total other financing source (uses)	<u>(933,700)</u>	<u>(933,700)</u>	<u>(123,533)</u>	<u>810,167</u>
Net change in fund balances	(6,063,078)	(9,645,110)	(3,908,687)	5,736,423
Fund balances - beginning	20,878,868	23,242,725	23,242,727	2
Fund balances - ending	<u>\$ 14,815,790</u>	<u>\$ 13,597,615</u>	<u>\$ 19,334,040</u>	<u>\$ 5,736,425</u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,856,549	\$ 3,895,663	\$ 1,027,076	\$ (2,868,587)
Miscellaneous	-	-	19,701	19,701
Total revenues	<u>4,856,549</u>	<u>3,895,663</u>	<u>1,046,777</u>	<u>(2,848,886)</u>
EXPENDITURES				
Current:				
General Government	1,250,000	5,016,606	965,946	4,050,660
Community Services	-	100,000	61,131	38,869
Total current	<u>1,250,000</u>	<u>5,116,606</u>	<u>1,027,077</u>	<u>4,089,529</u>
Total expenditures	<u>1,250,000</u>	<u>5,116,606</u>	<u>1,027,077</u>	<u>4,089,529</u>
Excess (deficiency) of revenues over expenditures	<u>3,606,549</u>	<u>(1,220,943)</u>	<u>19,700</u>	<u>1,240,643</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,606,549	(1,220,943)	19,700	1,240,643
Fund balances - beginning	-	44,888	44,888	-
Fund balances - ending	<u>\$ 3,606,549</u>	<u>\$ (1,176,055)</u>	<u>\$ 64,588</u>	<u>\$ 1,240,643</u>

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



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MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

The City's enterprise fund is used to account for operations that are financed and operated in a manner similar to private business operations. The goods and services this fund provides to the general public are primarily financed by service charges. Enterprise funds are self-supporting and use the accrual method of accounting. Edmonds has one major enterprise fund.

The Combined Utility Fund

This fund accounts for all maintenance, construction, and debt service requirements associated with the City's water, sewer and stormwater systems.

City of Edmonds
Statement of Net Position
Proprietary Funds
December 31, 2022

	Governmental Activities	
	421/422/423 Combined Utility Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,375,581	\$ 675,736
Investments	20,080,211	5,156,900
Customer accounts	4,459,787	479
Interest on investments	-	22,650
Due from other governments	2,710,582	-
Inventory	236,849	38,314
Total current assets	<u>34,863,010</u>	<u>5,894,079</u>
Noncurrent assets:		
Restricted cash and investment	3,279,630	-
Pension Assets	693,614	174,954
Land	1,257,107	-
Property, plant and equipment (net)	92,411,470	4,363,389
Construction in progress	37,715,033	320,302
Intangible assets (net)	61,888	3,036
Total noncurrent assets	<u>135,418,742</u>	<u>4,861,681</u>
Total assets	<u>170,281,752</u>	<u>10,755,760</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - refunding	13,919	-
Deferred outflows of resources - pension	751,673	184,583
Total deferred outflows of resources	<u>765,592</u>	<u>184,583</u>
Total assets and deferred outflows of resources	<u>171,047,344</u>	<u>10,940,343</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,835,319	116,358
Wages and benefits payable	222,776	49,623
Interfund payables	255,166	-
Due to other governmental units	289,744	-
Other current liabilities	1,098,721	-
Interest payable	147,811	-
Compensated absences - current	225,796	47,462
Leases - current	2,866	737
Loans payable - current	431,440	-
Revenue bonds payable-current	847,927	-
G.O. bonds payable - current	701,571	-
Total current liabilities	<u>6,059,137</u>	<u>214,180</u>
Noncurrent liabilities:		
Compensated absences - long-term	136,381	78,368
Pension liabilities	420,051	105,952
Leases - long-term	12,366	2,325
Loans payable - long-term	1,747,541	-
Revenue bonds payable - long-term	41,207,006	-
G.O. bonds payable - long-term	6,732,569	-
Total noncurrent liabilities	<u>50,255,914</u>	<u>186,645</u>
Total liabilities	<u>56,315,051</u>	<u>400,825</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - refunding	169,314	-
Deferred inflow of resources - pension	759,327	181,215
Total deferred inflows of resources	<u>928,641</u>	<u>181,215</u>
Total liabilities and deferred inflows of resources	<u>57,243,692</u>	<u>582,040</u>
NET POSITION		
Net investment in capital assets	76,875,351	4,683,690
Restricted for:		
Customer Deposits	9,948	-
Debt Service	3,279,631	-
Pensions	693,615	174,954
Unrestricted	32,945,107	5,499,659
Total net position	<u>\$ 113,803,652</u>	<u>\$ 10,358,303</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, 2022

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services	\$30,651,726	\$2,874,923
Other operating revenue	347,179	2,197
Total operating revenues	<u>30,998,905</u>	<u>2,877,120</u>
OPERATING EXPENSES		
Personnel services	6,501,674	831,949
Operations and maintenance	11,257,582	1,302,463
Professional services	1,114,377	46,976
Insurance	408,630	51,903
Depreciation	<u>3,501,143</u>	<u>612,080</u>
Total operating expenses	<u>22,783,406</u>	<u>2,845,371</u>
Operating income (loss)	<u>8,215,499</u>	<u>31,749</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	40,700	144,894
Investment earnings	(504,589)	(126,611)
Judgments and settlements	-	20,569
Gain (loss) on sale of capital assets	(1,147,480)	150
Interest expense	<u>(1,661,245)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(3,272,614)</u>	<u>39,002</u>
Income (loss) before contributions and transfers	4,942,885	70,751
Capital grants and contributions	3,290,665	-
Transfers Out	<u>(935)</u>	<u>-</u>
Change in net position	8,232,615	70,751
Total net position - beginning	<u>105,571,037</u>	<u>10,287,552</u>
Total net position - ending	<u>\$ 113,803,652</u>	<u>\$ 10,358,303</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, 2022

	Business-type Activities <u>421/422/423</u>	Governmental Activities <u>Internal Service Funds</u>
	Combined Utility Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 31,007,780	\$ 3,150,885
Payments to employees	(6,885,126)	(1,162,960)
Payments to suppliers	(13,129,268)	(1,364,283)
Net cash provided (used) by operating activities	<u>10,993,386</u>	<u>623,642</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant income	40,700	-
Proceeds of refunding debt	-	-
Net cash provided (used) by noncapital financing activities	<u>40,700</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gain from the sale of capital assets	-	150
Judgments and settlements	-	20,569
Acquisition and construction of capital assets	(9,680,888)	(714,140)
Capital grants and contributions	3,290,665	144,894
Operations and maintenance	-	-
Principal payments on debt	(1,961,601)	-
Interest payments on debt	(1,720,881)	-
Transfers to other funds	(935)	-
Net cash provided (used) by capital and related financing activities	<u>(10,073,640)</u>	<u>(548,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	(504,586)	(118,061)
Purchase of investments	(16,227,615)	(3,749,930)
Net cash provided (used) by investing activities	<u>(16,732,201)</u>	<u>(3,867,991)</u>
Net increase (decrease) in cash and cash equivalents	(15,771,755)	(3,792,876)
Balances - beginning of year	26,426,966	4,468,612
Balances - end of the year	<u>\$ 10,655,211</u>	<u>\$ 675,736</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, 2022

	Business-type Activities 421/422/423 Combined Utility Funds	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	\$ 8,215,499	\$ 31,749
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,501,143	612,080
Changes in assets and liabilities:		
Customer Receivables	8,875	273,765
Accounts Payable - Supplier	(348,679)	37,059
Payroll Liabilities	(383,452)	(331,011)
Net cash provided (used) by operating activities	\$ 10,993,386	\$ 623,642

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



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FIDUCIARY FUND

Fiduciary funds are used to account for assets held by the City of Edmonds as a trustee or agent for various individuals, private organizations, and other governmental units.

The North Sound Metro Special Weapons and Tactics (SWAT) Team

The City of Edmonds signed an Interlocal Agreement with surrounding Cities to form The North Sound Metro Special Weapons and Tactics (SWAT) Team in 2013. Per the interlocal agreement, the SWAT Board shall designate a Host police department for general administration and bookkeeping. The City of Edmonds was designated as the Host police department and was responsible for holding the funds. Effective January 1, 2022 these responsibilities were transferred to the City of Kirkland.

City of Edmonds
Statement of Fiduciary Net Position
December 31, 2022

	SWAT Fund
ASSETS	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	-
LIABILITIES	
Accounts payable	-
Accrued expenses	-
Total liabilities	-
NET POSITION	
Net position restricted for custodial funds	-
Total net position	\$ -

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

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

	SWAT Fund
ADDITIONS	
Contributions:	\$ -
Total contributions	-
Intergovernmental	-
Miscellaneous	-
Total additions	-
DEDUCTIONS	
Intergovernmental	31,407
Total deductions	31,407
Change in net position	(31,407)
Net Position -- beginning of the year	31,407
Net Position -- end of the year	\$ -

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



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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

Note 1 – Summary of Significant Accounting Policies	40
Note 2 – Accounting and Reporting Changes.....	48
Note 3 – Deposits and Investments	48
Note 4 – Property Taxes	52
Note 5 – Receivables and Payables	53
Note 6 – Deferred Inflows and Outflows of Resources	53
Note 7 – Interfund Activity	54
Note 8 – Restricted, Committed and Assigned Components	55
Note 9 – Capital Assets and Depreciation	56
Note 10 – Pension Plans.....	58
Note 11 – Other Post-Employment Benefits	71
Note 12 – Long-Term Debt	75
Note 13 – Changes in Long-Term Liabilities.....	80
Note 14 – Leases	81
Note 15 – Contingencies and Litigations	83
Note 16 – Risk Management	83
Note 17 – Commitments	86
Note 18 – Other Disclosures	87

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 \$1,019,316 on December 31, 2022.

Snohomish County 911's 2022 operating budget was \$26,034,697, operating revenues received were \$26,904,022, and total operating expenditures were \$25,119,101. 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%

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 4th Ave W, Everett WA 982014 or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th 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 is 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 two major governmental funds, the *General 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 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.

The City reports one Fiduciary Fund. The *North Sound Metro Special Weapons and Tactics Team* (SWAT) is a Custodial Fund that accounts for the administration and bookkeeping for a regional SWAT team. The City signed an interlocal agreement with surrounding cities in 2013 to form a SWAT team, and the City of Edmonds Police Department was designated as the host Police Department and was responsible for the holding of funds. This fund was closed in 2022 when the assets and fiduciary responsibilities were transferred to the City of Kirkland.

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 after holding a public hearing.

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

Taxes receivable 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 results 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

Employees earn vacation pay based on their years of service and may carry over accruals of up to two years' accumulated leave from one year to the next. Unused vacation leave at time of termination, retirement or death is considered vested and payable to the employee. Unused sick leave is paid out upon termination, retirement or death based on a percentage of the employee's accumulated sick leave, in accordance with the terms of their union contract, or in accordance with Edmonds City Code Chapter 2.35.

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 2022 reporting, the City adopted the following new Standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, *Leases* – the objectives of this Statement are to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

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, 2022
Deposits with US Bank	\$ 5,877,259
Petty Cash/Change Funds	4,273
Local Government Investment Pool	12,672,679
Snohomish County Investment Pool	41,071,305
Certificates of Deposit	3,048,516
Treasury Obligations	972,109
US Government Agency Securities	10,676,120
Municipal Securities	4,468,541
	<u>\$ 78,790,803</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	\$ 972,109	\$ -	\$ -	\$ 972,109	\$ -	Aaa/AA+
US Government Agency Securities	10,676,120	2,914,738	5,800,919	1,960,463	-	Aaa/AA+
Municipal Securities	4,468,541	4,277,715	190,826	-	-	Aaa/AA+
Certificates of Deposit	3,048,516	3,048,516	-	-	-	Not Rated
Local Government Investment Pool	12,672,679	12,672,679	-	-	-	Not Rated
Snohomish County Investment Pool	41,071,305	-	41,071,305	-	-	Not Rated
	<u>\$ 72,909,271</u>	<u>\$ 22,913,648</u>	<u>\$ 47,063,050</u>	<u>\$ 2,932,572</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, 2022:

Investment Type	Fair Value Measurement Using			Total
	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Federal Agency Securities	\$ -	\$ 10,676,120	\$ -	\$ 10,676,120
Municipal Securities	-	4,468,541	-	4,468,541
Treasury Obligations	-	972,109	-	972,109
Snohomish Co. Investment Pool	-	41,071,305	-	41,071,305
Total	\$ -	\$ 57,188,075	\$ -	\$ 57,188,075

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, 2022:

Investment Type	Fair Value	Maturities		% of Total Portfolio
		Less Than 1 Year	1 to 7 Years	
US Government Agency Securities	\$ 10,676,120	\$ 2,914,738	\$ 7,761,382	14.64%
Municipal Securities	4,468,541	4,277,715	190,826	6.13%
Treasury Obligations	972,109	-	972,109	1.33%
Snohomish County Pool	41,071,305	-	41,071,305	56.33%
Certificates of Deposit	3,048,516	3,048,516	-	4.18%
Subtotal	60,236,591	10,240,969	49,995,622	82.62%
WA State LGIP *	12,672,679	12,672,679	-	17.38%
Total	\$ 72,909,271	\$ 22,913,648	\$ 49,995,622	100.00%
Percentage of Total Portfolio		31.43%	68.57%	100.00%

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, 2022 are as follows:

	December 31, 2022
Cash and Cash Equivalents	\$ 343,332
Restricted Cash and Cash Equivalents	764,110
	<u>\$ 1,107,442</u>

The following tables present information regarding the components of Cash and Cash Equivalents as of December 31, 2022:

Financial Statements			
	Governmental Activities	Business-type Activities	Total Primary Govt.
Cash and Cash Equivalents	\$ 7,899,000	\$ 7,375,581	\$ 15,274,581
Restricted Cash and Cash Equivalents	3,048,516	3,279,631	6,328,147
Investments	37,107,864	20,080,211	57,188,075
	\$ 48,055,380	\$ 30,735,423	\$ 78,790,803

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
	\$ 3,048,516	\$ 3,279,631	\$ 6,328,147

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 2022 was \$0.84451861346 per \$1,000 on an assessed valuation of \$12,578,962,335 for a total regular levy of \$10,623,168. Voters have approved one special levy, for Emergency Medical Services (EMS). The City’s EMS Levy for 2022 was \$0.33642570804 per \$1,000 on an assessed valuation of \$12,578,962,335 for a total EMS levy of \$4,231,886.

Property Tax Calendar	
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- 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, 2022 are as follows:

	Customer Accounts	Taxes	Leases Receivable	Due From Other Governments	Due from Component Units	Total
Governmental Activities						
General Fund	\$ 1,603,280	\$ 222,617	\$ 1,288,680	\$ 2,496,148	\$ 3,652,381	\$ 9,263,107
Other Governmental Funds	-	-	-	3,165,771	-	3,165,771
Internal Service	479	-	-	-	-	479
Total Governmental Activities	\$ 1,603,760	\$ 222,617	\$ 1,288,680	\$ 5,661,919	\$ 3,652,381	\$ 12,429,357
Business-type Activities						
Combined Utility Fund	\$ 4,459,786	\$ -	\$ -	\$ 2,710,582	\$ -	\$ 7,170,368
Total Business-type Activities	\$ 4,459,786	\$ -	\$ -	\$ 2,710,582	\$ -	\$ 7,170,368

Payables at December 31, 2022 are as follows:

	Salaries and Benefits	Accounts Payable	Due to Other Governments	Other Current Liabilities	Total
Governmental Activities					
General Fund	\$ 1,338,567	\$ 1,133,715	\$ -	\$ 177,558	\$ 2,649,839
Other Governmental Funds	63,335	1,495,298	-	95,787	1,654,420
Internal Service	49,623	116,358	-	-	165,980
Total Governmental Activities	\$ 1,451,525	\$ 2,745,370	\$ -	\$ 273,345	\$ 4,470,240
Business-type Activities					
Combined Utility Fund	\$ 222,776	\$ 1,835,319	\$ 289,744	\$ 1,098,720	\$ 3,446,559
Total Business-type Activities	\$ 222,776	\$ 1,835,319	\$ 289,744	\$ 1,098,720	\$ 3,446,559

NOTE 6 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred Outflows of Resources at December 31, 2022, 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.	\$ 28,322	\$ 13,919
GASB 68 Pension Deferred Outflow	6,961,173	751,673
Total	\$ 6,989,495	\$ 765,592

Deferred Inflows of Resources at December 31, 2022 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.	\$ 48,797	\$ 169,314
GASB 68 Pension Deferred Inflow	6,446,440	759,327
GASB 87 Leases	1,288,680	-
Total	\$ 7,783,917	\$ 928,641

Deferred Inflows of Resources - Governmental Funds Balance Sheet	General Fund	Enterprise Funds
The portion of property taxes not received within 60 days of 2022	\$ 185,881	\$ -
The portion of court receivables not received within 60 days of 2022	161,622	-
GASB 87 Leases	1,288,680	-
The portion of opioid receivables not received within 60 days of 2022	608,664	-
Total	\$ 2,244,847	\$ -

NOTE 7 – INTERFUND ACTIVITY

There was one interfund balance as of December 31, 2022 for a utility tax payable to the General Fund in the amount of \$255,166.

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			Total
		General	Other Governmental	Enterprise	
General Fund	\$ 26,300	\$ -	\$ 890,062	\$ -	\$ 890,062
Other Governmental	1,098,736	26,300	207,740	-	234,040
Enterprise	-	-	935	-	935
Total	\$ 1,125,036	\$ 26,300	\$ 1,098,736	\$ -	\$ 1,125,036

NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED COMPONENTS

The government-wide statement of net position reports \$24,203,885 for Governmental Activities and \$3,983,194 for Business-Type Activities as restricted components of net position. The fund statements report \$3,357,455 as committed.

Governmental Activities Restricted for:	
Per RCW, proceeds from seizures are limited to law enforcement activities exclusively	67,570
Restricted per RCW related to state fuel taxes, transportation benefit fees, impact fees and grant agreements	2,848,190
Restricted per RCW related to REET revenue and lodging tax restrictions, private donors, and grant agreements	10,730,287
Per RCW, proceeds are limited to paying the cost of tourism promotion and the Edmonds Business Improvement District	134,648
Restricted per the Federal American Rescue Plan Act (ARPA)	64,588
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	234,566
Restricted for specific purposes	68,901
Restricted for Net Pension Assets	10,055,135
Total Restricted Components of Net Position	24,203,885
Business-Type Activities Restricted for:	
Customer deposits	9,948
Debt service restrictions	3,279,631
Restricted for Net Pension Assets	693,615
Total Restricted Components of Net Position	3,983,194
Governmental Activities Committed for:	
Committed for the cost of operating and restoring the Edmonds Marsh	849,766
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	634,888
Committed for the administration of the employee permit parking program solely and exclusively	75,032
Committed for special projects, special events, capital improvements and other nonrecurring needs of cemetery	268,169
Committed to be expended solely for the purpose of maintaining the cemetery	1,103,300
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.	226,300
Total Committed Components of Fund Balance	3,357,455

NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2022 is as follows:

Schedule of Capital Asset Activity				
	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 18,009,932	\$ -	\$ (70,000)	\$ 17,939,932
Construction in progress	9,427,019	11,907,217	(79,110)	21,255,126
Total capital assets not being depreciated:	<u>27,436,951</u>	<u>11,907,217</u>	<u>(149,110)</u>	<u>39,195,058</u>
Capital assets, being depreciated:				
Building	25,119,523	206,855	(183,038)	25,143,340
Improvements other than buildings	29,582,404	79,635	-	29,662,040
Infrastructure	65,203,951	157,061	(97,007)	65,264,005
Machinery and equipment	10,651,397	1,084,007	(108,873)	11,626,532
Intangible assets	154,256	390,202	-	544,458
Total capital assets being depreciated:	<u>130,711,531</u>	<u>1,917,760</u>	<u>(388,918)</u>	<u>132,240,373</u>
Less accumulated depreciation for:				
Buildings	(17,991,046)	(542,897)	127,446	(18,406,498)
Improvements other than buildings	(10,961,016)	(967,629)	-	(11,928,645)
Infrastructure	(39,935,493)	(1,236,746)	97,007	(41,075,232)
Machinery and equipment	(5,606,190)	(701,111)	108,873	(6,198,428)
Intangible assets	-	(89,520)	-	(89,520)
Total accumulated depreciation:	<u>(74,493,746)</u>	<u>(3,537,903)</u>	<u>333,326</u>	<u>(77,698,323)</u>
Total capital assets being depreciated, net:	<u>56,217,785</u>	<u>(1,620,143)</u>	<u>(55,592)</u>	<u>54,542,050</u>
Governmental activities capital assets, net:	<u>\$ 83,654,736</u>	<u>\$ 10,287,074</u>	<u>\$ (204,702)</u>	<u>\$ 93,737,108</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,257,106	\$ -	\$ -	\$ 1,257,106
Construction in progress	28,578,848	9,538,386	(402,201)	37,715,034
Total capital assets, not being depreciated:	<u>29,835,954</u>	<u>9,538,386</u>	<u>(402,201)</u>	<u>38,972,140</u>
Capital assets being depreciated:				
Building	35,438,728	338,428	-	35,777,156
Improvements other than buildings	120,084,635	179,214	(2,378,680)	117,885,169
Machinery and equipment	1,046,492	10,044	-	1,056,537
Intangible assets	1,300,882	12,833	-	1,313,715
Total capital assets being depreciated:	<u>157,870,738</u>	<u>540,519</u>	<u>(2,378,680)</u>	<u>156,032,577</u>
Less accumulated depreciation for:				
Buildings	(20,659,193)	(683,117)	-	(21,342,310)
Improvements other than buildings	(38,772,314)	(2,763,993)	1,231,200	(40,305,107)
Machinery and equipment	(607,765)	(52,211)	-	(659,976)
Intangible assets	(1,250,000)	(1,827)	-	(1,251,826)
Total accumulated depreciation:	<u>(61,289,273)</u>	<u>(3,501,147)</u>	<u>1,231,200</u>	<u>(63,559,219)</u>
Total capital assets being depreciated, net:	<u>96,581,465</u>	<u>(2,960,627)</u>	<u>(1,147,480)</u>	<u>92,473,358</u>
Business activities capital assets, net:	<u>\$ 126,417,420</u>	<u>\$ 6,577,759</u>	<u>\$ (1,549,680)</u>	<u>\$ 131,445,498</u>

The difference of \$46,888 between the 2021 Ending Balance and the 2022 Beginning Balance for accumulated depreciation in the Governmental Activities is due to the correction of moving the Boys and Girls Club out of land and into buildings. When the Civic property was purchased it was all added to land. The change in beginning balance for intangible assets for both Governmental Activities and Business-type activities is due to the implementation of GASB 87.

Depreciation Expense by Function

Governmental Activities:

General government	\$ 536,703
Public safety	345,765
Culture and recreation	866,381
Transportation	1,174,086
Physical Environment	2,887
Internal service	612,080
Total depreciation expense - Governmental Activities	<u>\$ 3,537,903</u>

Business-Type Activities:

Stormwater	\$ 571,007
Water	759,198
Sewer	891,308
Wastewater Treatment	1,279,633
Total depreciation expense - Business Type Activities	<u>\$ 3,501,147</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, 2022:

	State Sponsored Plans	Single Employer Plan	Total
Pension Liabilities	\$ (2,682,320)	\$ (491,573)	\$ (3,173,893)
Pension Assets	\$ 10,748,750	\$ -	\$ 10,748,750
Deferred Outflows of Resources	\$ 7,710,422	\$ 2,424	\$ 7,712,846
Deferred Inflows of Resources	\$ (7,205,768)	\$ -	\$ (7,205,768)
Pension Expense/Expenditures	\$ 419,669	\$ (64,116)	\$ 355,553

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.

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 2022 were as follows:

PERS Plan 1 Actual Contribution Rates	Employer	Employee
2022		
January through August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September through December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%

The City's actual contributions to the plan were \$644,812 for the year ended December 31, 2022.

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:

PERS Plan 2/3 Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
2022			
January through August			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.71%		
Administrative Fee	0.18%		
Total	10.25%	6.36%	Varies
September through December			
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

The City's actual contributions to the plan were \$ 1,050,442 for the year ended December 31, 2022.

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

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

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per 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 2022. 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 2022. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2 Actual Contribution Rates	Employer	Employee
2022		
January through December		
LEOFF Plan 2	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The City's actual contributions to the plan were \$ 384,710 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022 the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$232,372.

Actuarial Assumptions

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

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

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

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

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, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%. 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, 2022, 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.

2022	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 3,583,543	\$ 2,682,320	\$ 1,895,764
PERS 2/3	\$ 5,215,976	\$ (4,429,212)	\$ (12,353,343)
LEOFF 1	\$ (1,411,412)	\$ (1,610,583)	\$ (1,783,295)
LEOFF 2	\$ (216,842)	\$ (4,708,955)	\$ (8,385,365)

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, 2022, the City reported a net pension liability of \$2,682,320 and a net pension asset of (\$10,748,750) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2022):

2022	Liability (Asset)
PERS 1	\$ 2,682,320
PERS 2/3	\$ (4,429,212)
Total	\$ (1,746,892)
LEOFF 1	\$ (1,610,583)
LEOFF 2	\$ (4,708,955)
Total	\$ (6,319,538)

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	\$ (1,610,583)	\$ (4,708,955)
State's Proportionate Share of the Net Pension Asset Associated with the Employer	\$ (10,893,942)	\$ (3,050,359)
Total	\$ (12,504,525)	\$ (7,759,314)

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

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.098153%	0.096335%	-0.001818%
PERS 2/3	0.119926%	0.119425%	-0.000501%
LEOFF 1	0.055212%	0.056145%	0.000933%
LEOFF 2	0.179760%	0.173270%	-0.006490%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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 2022. 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 2022, 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, 2022, the City recognized pension expense as follows:

	2022
PERS 1	\$ 1,175,819
PERS 2/3	\$ (1,487,723)
LEOFF 1	\$ (96,073)
LEOFF 2	\$ 827,645
Total	\$ 419,668

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (444,539)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ 348,069	\$ -
Total PERS 1	\$ 348,069	\$ (444,539)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,097,455	\$ (100,266)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (3,274,549)
Changes of Assumptions	\$ 2,468,674	\$ (646,387)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 241,470	\$ (296,326)
Contributions Subsequent to the Measurement Date	\$ 563,290	\$ -
Total PERS 2/3	\$ 4,370,889	\$ (4,317,528)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (201,104)
Changes of Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ -	\$ -
Contributions Subsequent to the Measurement Date	\$ -	\$ -
Total LEOFF 1	\$ -	\$ (201,104)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,118,926	\$ (43,691)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (1,576,739)
Changes of Assumptions	\$ 1,192,911	\$ (410,021)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 480,739	\$ (212,146)
Contributions Subsequent to the Measurement Date	\$ 198,888	\$ -
Total LEOFF 2	\$ 2,991,464	\$ (2,242,597)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,216,381	\$ (143,957)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (5,496,931)
Changes of Assumptions	\$ 3,661,585	\$ (1,056,408)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	\$ 722,209	\$ (508,472)
Contributions Subsequent to the Measurement Date	\$ 1,110,247	\$ -
Total All Plans	\$ 7,710,422	\$ (7,205,768)

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:

Year Ending December 31,	PERS 1	PERS 2/3
2023	\$ (188,120)	\$ (1,027,353)
2024	\$ (170,861)	\$ (964,286)
2025	\$ (214,340)	\$ (1,070,332)
2026	\$ 128,782	\$ 1,505,992
2027	\$ -	\$ 526,735
Thereafter	\$ -	\$ 519,315
Total	\$ (444,539)	\$ (509,929)
	LEOFF 1	LEOFF 2
2023	\$ (85,173)	\$ (465,422)
2024	\$ (77,119)	\$ (399,476)
2025	\$ (96,428)	\$ (541,489)
2026	\$ 57,617	\$ 709,903
2027	\$ -	\$ 229,684
Thereafter	\$ -	\$ 1,016,779
Total	\$ (201,103)	\$ 549,979

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 2022 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 through transfers to help fund 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, 2022 was \$56,744.

Milliman, Inc., actuaries and consultants, provided the Firemen's Pension Fund Actuarial Valuation for the year ended December 31, 2022. The Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of January 1, 2021. 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)*	3.75%
Salary Increases	3.00%
Inflation related to Consumer Price Index	2.25%
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, 2021	\$ 645,145	\$ 89,951	\$ 555,194
Changes for the Year:			
Service Cost	-	-	-
Interest	12,046	-	12,046
Changes in Benefits Provided	-	-	-
Changes in Actuarial Assumptions or Inputs	(36,051)	-	(36,051)
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	-	-
Net Investment Income	-	-	-
Contributions from state fire insurance premium tax	-	56,744	(56,744)
Benefit Payments and Withdrawals	(86,137)	(86,137)	-
Medical Payments from Fund	-	(17,128)	17,128
Administrative Expenses	-	-	-
Other	-	-	-
Balances at December 31, 2022	<u>\$ 535,003</u>	<u>\$ 43,430</u>	<u>\$ 491,573</u>

Net Plan Fiduciary Net Position

	2022	2021
Total Pension Liability	\$ 535,003	\$ 645,145
Pension Plans Fiduciary Net Position	43,430	89,951
Net Pension Liability	<u>\$ 491,573</u>	<u>\$ 555,194</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	8.12%	13.94%

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 3.75%, 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 3.75%	1% Increase
Net Pension Liability	\$ 525,281	\$ 491,573	\$ 461,316

Pension Expense

For the year ended December 31, 2022 the City recognized pension expense related to the Firemen's pension plan as follows:

Service Cost	\$	-
Interest Cost		12,046
Expected Investment Earnings		(1,336)
Administrative Expense		-
Medical Payments		17,128
Contributions from state fire insurance premium tax		(56,744)
Amortization of Deferred Inflows and Outflows		(35,210)
Changes in Benefits Provided		-
	<u>\$</u>	<u>(64,116)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to 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	2,424	-
Changes of Assumptions	-	-
Total	<u>\$ 2,424</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:

<u>Year Ending December 31,</u>	
2023	\$ 777
2024	663
2025	716
2026	268
2027	-
Thereafter	-
Total	<u>\$ 2,424</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 2021 was \$1,261,226 which represents its full liability.

For the year ending December 31, 2022, the City's covered payroll was \$24,521,298. No significant benefit changes occurred in 2022. 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>2022</u>
OPEB Liabilities	\$ (5,859,656)
Deferred Outflows of Resources	-
Deferred Inflows of Resources	-
OPEB Expense	(896,444)

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, 2022 the following employees were covered by the benefit terms:

	2022
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	21
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, 2022, and was determined using an actuarial valuation as of January 1, 2021. 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 (Discount Rate)*	3.75%
Salary Increases	3.00%
Cost of Living Adjustments	2.25%
Inflation	2.25%
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	5.80% Grading Down to 3.7% in 2074
Long-Term Care Trend Rate	4.50%

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

There were changes in methods and assumptions since the last actuarial valuation (January 1, 2021).

- Medical trend rate changed from 5.70% to 5.80% grading down to 3.70% in 2074.

Changes in the total OPEB Liability:

	<u>2022</u>
Balance - January 1	\$ 7,128,161
Service Cost	-
Interest	138,861
Changes in Actuarial Assumptions	(1,035,305)
Differences Between Expected and Actual Experience	-
Benefit Payments and Withdrawals	(372,061)
Other	-
Total	<u>\$ 5,859,656</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:

	1% Decrease	Current Rate 3.75%	1% Increase
Discount Rate	\$ 6,459,052	\$ 5,859,656	\$ 5,344,775

	1% Decrease	Current Rate 5.80% Grading Down to 3.7% in 2022	1% Increase
Healthcare Cost Trend Rate	\$ 5,337,052	\$ 5,859,656	\$ 6,453,982

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>2022</u>
Service Cost	\$ -
Interest Cost	138,861
Amortization of Deferred Inflows and Outflows	<u>(1,035,305)</u>
Total	<u>\$ (896,444)</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 seven Public Works Trust Fund Loans; three of the notes are general obligation and four 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 12/31/2022
Governmental Debt:					
2012 LTGO Refunding Bonds	12/1/2031	1.750%-2.250%	\$ 9,325,000	\$ 120,000	\$ 880,000
2019 LTGO Bond - Civic Park	12/1/2039	2.125%-5.000%	3,485,000	125,000	3,130,000
2021 LTGOA Bond - Civic Park & Facilities	12/1/2041	2.000%-5.000%	5,435,000	170,000	5,265,000
2021 LTGOB Bond - PFD Refinance	12/1/2041	2.000%-2.600%	2,680,000	110,000	2,570,000
Total Governmental GO Bonds			20,925,000	525,000	11,845,000
Business-type Debt:					
<u>General Obligation Bonds:</u>					
2021 LTGOA Bond - 2011 Refinance	12/1/2031	5.000%	6,585,000	515,000	6,070,000
Total Business-type GO Bonds			6,585,000	515,000	6,070,000
Total General Obligation Bonds			\$27,510,000	\$ 1,040,000	\$ 17,915,000

2021 LTGOB Bond – PFD Refinance – 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), a legally separate district within the City. The PFD portion of the 2012 LTGO bond liability has been removed from the governmental activities column of the statement of net position. 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.

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.

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
2023	550,000	352,265	902,265	550,000	303,500	853,500
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
2028-2032	3,175,000	971,913	4,146,913	3,030,000	387,750	3,417,750
2033-2037	3,310,000	500,044	3,810,044			-
2038-2042	2,455,000	127,190	2,582,190			-
	<u>\$ 11,845,000</u>	<u>\$ 3,148,371</u>	<u>\$ 14,993,371</u>	<u>\$ 6,070,000</u>	<u>\$ 1,616,000</u>	<u>\$ 7,686,000</u>

Revenue bonds currently outstanding are as follows:

REVENUE BONDS

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2022
Business - type Debt:					
2013 Water/Sewer Bonds	12/1/2038	4.000%-5.000%	15,010,000	230,000	13,285,000
2015 Water/Sewer Bonds	12/1/2040	3.000%-4.000%	18,740,000	580,000	14,795,000
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>\$ 810,000</u>	<u>\$ 41,955,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year	BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total
2023	840,000	1,453,828	2,293,828
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
2022	980,000	1,312,278	2,292,278
2028-2032	6,420,000	6,031,680	12,451,680
2033-2037	12,175,000	4,206,941	16,381,941
2038-2042	11,595,000	1,705,658	13,300,658
2043-2047	7,200,000	326,475	7,526,475
	<u>\$ 41,955,000</u>	<u>\$ 19,178,741</u>	<u>\$ 61,133,741</u>

Notes from Direct Borrowing currently outstanding are as follows:

Issue Name	Maturity Date	Interest Rates	Original Amount	Principal Installment	Balance 12/31/2022
Governmental Debt:					
2016 Chase Bank Loan	12/1/2026	1.67%	\$ 838,526	84,242	353,608
P W Trust Fund Loan - Street Construction	6/30/2022	0.50%	340,000	18,143	-
P W Trust Fund Loan - Street Construction	6/30/2024	0.50%	400,000	21,176	42,353
P W Trust Fund Loan - Street Construction	5/24/2026	0.50%	624,750	32,882	131,527
Total Governmental Notes from Direct Borrowings			2,203,276	156,443	527,488
Business-type Debt:					
2016 Chase Bank Loan	12/1/2026	1.67%	2,328,116	233,892	981,771
P W Trust Fund Loan - Trt. Plant/Sew er Improv.	6/30/2022	0.50%	1,347,250	71,325	-
P W Trust Fund Loan - Water Improvements	6/30/2024	0.50%	408,000	25,839	51,678
P W Trust Fund Loan - Storm Improvements	6/30/2024	0.50%	605,625	32,063	64,125
P W Trust Fund Loan - Sew er Improvements	6/30/2025	0.50%	1,216,902	72,295	216,886
Department of Ecology	10/31/2033	2.30%	638,540	30,971	392,075
Snohomish County Loan	7/1/2037	1.50%	545,000	29,528	472,446
Total Business-type Notes from Direct Borrowings			7,089,433	495,913	2,178,981
Total Notes from Direct Borrowings			\$ 9,292,709	\$ 652,356	\$ 2,706,469

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
2023	140,509	6,775	147,284	431,441	34,025	465,465
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
2028-2032	-	-	-	333,843	36,577	370,420
2033-2037	-	-	-	187,517	9,551	197,068
2038-2042	-	-	-	29,528	443	29,971
	\$ 527,488	\$ 16,850	\$ 544,338	\$ 2,178,981	\$ 158,806	\$ 2,337,787

At December 31, 2022 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.

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 (Councilmanic)	With Vote	With Vote	With Vote
	1.5%	2.5%	2.5%	2.5%
Legal Limits	\$ 188,684,435	\$ 125,789,623	\$ 314,474,058	\$ 314,474,058
Net outstanding indebtedness	(17,663,865)	-	-	-
Margin Available	\$ 171,020,570	\$ 125,789,623	\$ 314,474,058	\$ 314,474,058

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 to be defeased.

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 31st 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, 2022, 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, 2022, the following changes occurred in long-term liabilities. Note that the change in beginning balance for both the Governmental Activities and the Business-Type Activities is due to the implementation of GASB 87 for leases.

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 12,370,000	\$ -	\$ (525,000)	\$ 11,845,000	\$ 550,000
Less:					
For issuance premiums	964,547	-	(49,732)	914,815	49,732
Total bonds payable:	13,334,547	-	(574,732)	12,759,815	599,732
Pension liabilities	1,541,887	1,211,955	-	2,753,842	-
Total OPEB liability	7,128,161	-	(1,268,505)	5,859,656	375,000
Compensated absences	2,640,537	3,759,811	(3,654,526)	2,745,822	1,382,081
Lease Liability	154,257	334,702	(69,052)	419,906	70,606
Governmental notes-direct borrowing	683,931	-	(156,443)	527,488	140,509
Governmental activity long-term liabilities	\$ 25,483,320	\$ 5,306,468	\$ (5,723,258)	\$ 25,066,529	2,567,928
Business-type activities					
Bonds Payable:					
General obligation bonds	6,585,000	\$ -	\$ (515,000)	\$ 6,070,000	550,000
Revenue bonds	42,765,000	-	(810,000)	41,955,000	840,000
Less:					
For issuance premiums	1,780,955	-	(167,742)	1,613,213	165,983
For issuance discount	(155,624)	-	6,484	(149,139)	(6,484)
Total bonds payable:	50,975,331	-	(1,486,258)	49,489,074	1,549,499
Pension liabilities	211,985	208,066	-	420,051	-
Compensated absences	396,282	562,949	(597,055)	362,176	225,794
Lease Liability	4,174	12,843	(1,785)	15,231	2,865
Business-type notes-direct borrowing	2,674,894	-	(495,913)	2,178,981	431,441
Business-type activity long-term liabilities	\$ 54,262,666	\$ 783,858	\$ (2,581,011)	\$ 52,465,513	2,209,599

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2022 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 \$125,830 for compensated absences and \$105,952 for the total pension obligation.

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

Note 14 - Leases

Leases Payable

For the year ended 12/31/2022, 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	\$ 184,087	\$ 39,576
Buildings	321,900	41,596
Total Leases	\$ 505,987	\$ 81,172

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
2023	\$ 3,597	\$ -	\$ 3,597
2024	\$ 3,597	\$ -	\$ 3,597
2025	\$ 3,597	\$ -	\$ 3,597
2026	\$ 2,858	\$ -	\$ 2,858
2027	\$ 1,756	\$ -	\$ 1,756

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 89,996	\$ 1,156	\$ 91,152
2024	\$ 94,425	\$ 902	\$ 95,327
2025	\$ 95,548	\$ 642	\$ 96,190
2026	\$ 64,069	\$ 396	\$ 64,465
2027	\$ 57,336	\$ 175	\$ 57,511

Leases Receivable

For the year ended 12/31/2022, 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	Business-Type Activities	
	Principal Payments	
2023	\$	30,984
2024	\$	10,672
2025	\$	10,727
2026	\$	10,781
2027	\$	-

Fiscal Year	Governmental Activities	
	Principal Payments	
2023	\$	415,824
2024	\$	415,220
2025	\$	253,076
2026	\$	128,608
2027	\$	-

NOTE 15 – 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 16 – 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 and Chapter 39.34 RCW, 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 166 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 boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, 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, 2022, 262 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 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC 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 17 – COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2022, the City's outstanding material contractual obligations, which include construction and engineering contracts, are summarized below:

Contract Name	Original Amount	Expenditures to Date	Remaining Commitment
Stormwater Comprehensive Plan Update	\$ 182,112	\$ 102,634	\$ 79,478
2017 CIPP Sewer Repairs	97,124	89,893	7,231
Waterfront Redevelopment	1,501,869	876,557	625,313
Citywide Crossing Enhancements - CM	107,239	86,751	20,488
Stormwater Standard Operating Procedures Manual	11,770	6,498	5,272
Phase 10 Waterline Replacement Project	1,787,681	1,616,821	170,861
76th Ave & 220th St. Intersection Improvements	1,249,823	300,775	949,047
Citywide Bicycle Improvements	433,486	389,200	44,286
Seaview Park Infiltration Facility Phase 2	583,294	388,573	194,721
Phase 2 & 3 Storm Utility Replacement	1,323,382	929,283	394,099
Phase 8 Sewerline Replacement Program	371,912	310,809	61,103
Phase 11 Waterline Replacement Project	403,700	353,189	50,511
Civic Center Playfield	13,293,455	11,698,570	1,594,885
Yost & Sewer Reservoir Assessment	96,867	96,850	17
76th Ave Overlay	2,235,709	970,066	1,265,643
Hwy 99 Gateway Revitalization	8,971,087	4,523,727	4,447,360
2022 Overlay Program and Sewerline Overlay Program	1,345,294	1,244,073	101,221
Elm Way Walkway	139,972	110,612	29,360
Perrinville Creek Recovery Study	98,000	74,456	23,544
Phase 9 Sewerline Replacement	419,885	287,700	132,185
Phase 12 Waterline Replacement Project	303,100	255,285	47,815
2022 Utility Replacement Project	3,864,431	3,103,008	761,423
Hwy 99 Revitalization Project Stage 3	3,217,453	27,913	3,189,540
Hwy 99 Revitalization Project Stage 4	3,887,220	29,317	3,857,903
SR-104 Adaptive System 236th to 226th	316,545	81,016	235,529
Lower Perrinville Creek Restoration	906,919	40,700	866,219
Phase 10 Sewerline Replacement	426,411	210,119	216,292
Phase 13 Waterline Replacement	451,611	202,865	248,746
Yost & Seaview Reservoir Repairs and Upgrades	253,941	27,187	226,754
Utility Funds Reserve Policies Study	22,390	755	21,635
2022 Utility Rate & GFC Update	79,410	1,185	78,225
2023 Overlays - streets and utilities combined	118,790	9,755	109,036
Lake Ballinger Sewer Trunk Main Study	295,148	68,794	226,354
Ballinger Regional Facility	324,869	314,956	9,913
Edmonds Public Works Apron Repair	25,000	21,755	3,245
On-Call Wastewater Engineering Services	25,000	6,758	18,242
2022 Capital Projects CM, Engineering & Inspection Service	266,600	2,500	264,100
175th St. SW Slope	29,429	27,409	2,020
Review of Franchise and EG Fees paid by Comcast to COE	20,000	10,850	9,150
Review of Franchise and EG Fees paid by Zply to COE 201!	15,000	7,350	7,650
On Call Stormwater Review	98,480	98,450	30
Snow Response Plan	8,100	7,576	524
96th AVE Infiltration	368,790	71,824	296,966
	\$ 49,978,299	\$ 29,084,365	\$ 20,893,934

Note 18 – Other Disclosures**Opioid Settlements**

The City of Edmonds, along with various cities, towns, and counties in Washington State was party to the national opioid-related lawsuit that has been settled and resulted in the City being awarded \$657,671.

In 2021, nationwide settlements were reached to resolve opioid litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors – McKesson, Cardinal Health and AmerisourceBergen – and against manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson. Under the settlement, local governments were scheduled to begin receiving payments from the settlement administrator, commencing on December 1, 2022.

The city will receive a total of just over \$657,671 to be received incrementally over the next 17 years. In February 2023, the City of Edmonds received its initial payment for 2022 from the settlement administrator, totaling \$49,007.

In 2022, nationwide settlements were reached with four companies that produced or sold opioids: CVS, Walgreens, Teva, and Allergan. The city will receive a total of \$568K from this settlement. Payments will be distributed to the City at different rates over a period of 15 years to begin in 2023.



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

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

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

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

**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
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
2013	44,223	(3,576)	47,799	-	N/A	0.17

* 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)**

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)
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)
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%

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 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
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)	-
	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
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
2022	0.173270%	\$ (4,708,955)	\$ (3,050,359)	\$ (7,759,314)	\$ 7,293,633
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
	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
2022	-64.56%	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
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	\$ 1,050,442	\$ (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
2022	\$ -	\$ -	\$ -	\$ -	0.00%
2021	-	-	-	-	0.00%
2020	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016					
2015					

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
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.