

# City of Mount Vernon Washington



Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2019



City of Mount Vernon, Washington  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2019

Report Prepared By:  
City of Mount Vernon Finance Department

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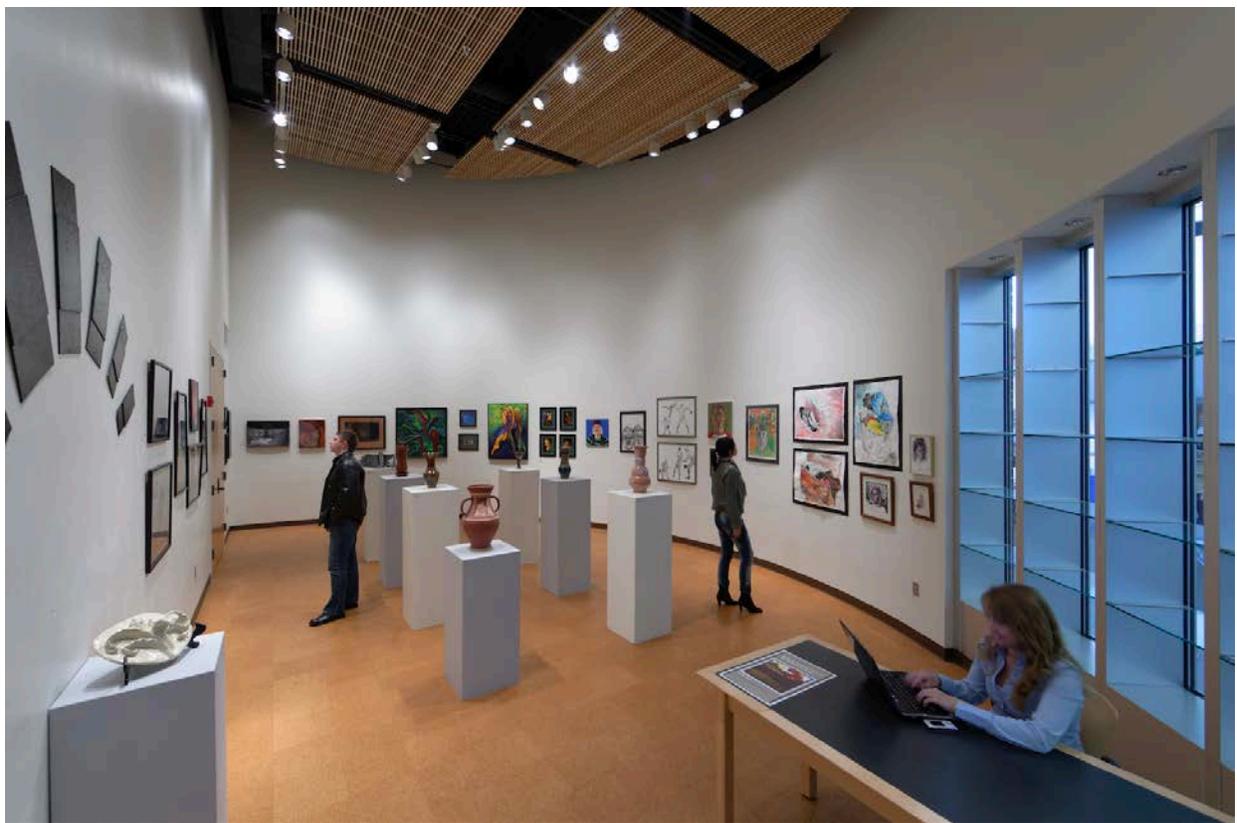
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# INTRODUCTORY SECTION





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Mount Vernon  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# MEET YOUR 2019 ELECTED OFFICIALS



**Mayor Jill Boudreau**

The City of Mount Vernon is a code city Mayor/Council form of government. The Councilmembers are elected to four year terms. City Council exercises the legislative power of the City and determines matters of policy. The City Council is comprised of two members from each of the three wards within the city, and one that represents the city at-large.

## City Councilmembers



**Erin Moberg**  
Ward 1



**Iris Carías**  
Ward 1



**Mark Hulst**  
Ward 2



**Gary Molenaar**  
Ward 2



**Melissa Beaton**  
Ward 3



**Mary Hudson**  
Ward 3



**Richard Brocksmith**  
Council At Large

Mount Vernon City Council meetings are open to the public and are held on the second and fourth Wednesdays of each month. In addition, Council holds Study Sessions on the first and third Wednesdays to discuss items of importance to the City.

### **Mission Statement**

*We provide professional, efficient services to create a lifetime positive difference for our community.*

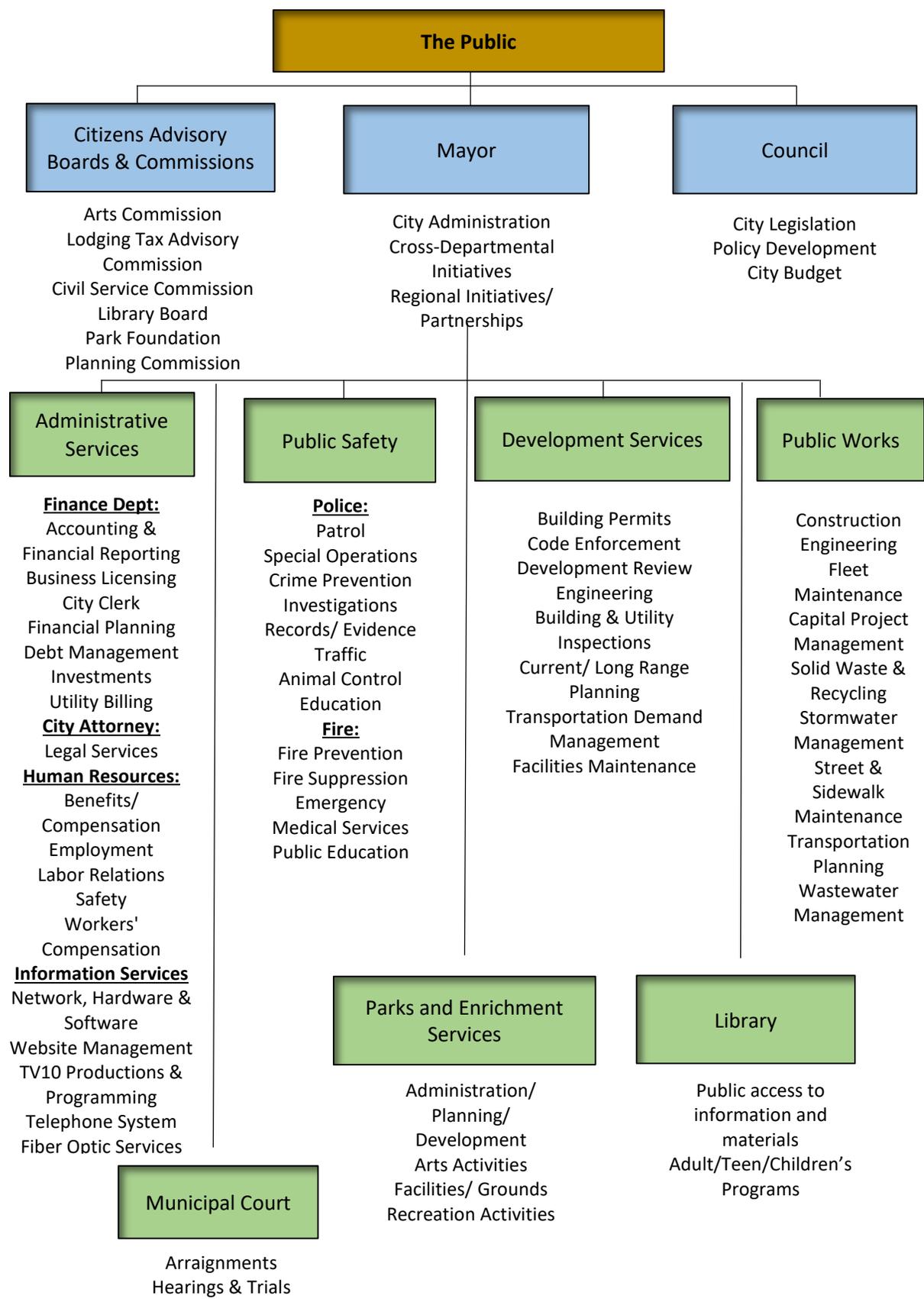
### **Vision Statement**

*Mount Vernon is a city that is characterized by a "hometown" atmosphere, where residents and government work together in a trusting environment.*

*We encourage personal and economic vitality and pride in our accomplishments.*

*We promote cooperation with our neighbors to create a greater community that is a preferred place to live, work, and play.*

# City of Mount Vernon Organizational Structure





July 31, 2020

Mayor Boudreau, Members of the Mount Vernon City Council and Citizens of Mount Vernon:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Mount Vernon for the fiscal year ended December 31, 2019. This report is published annually as the official annual financial report and complies with State Law, RCW 43.09.230 requiring timely submission of the annual financial report to the State for review.

As management of the City, we are responsible for both the accuracy of the data and the completeness and fairness of the presentation including all related disclosures. The City operates under a comprehensive internal control framework that is established for the purpose of safeguarding assets and the reliability of financial records. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatement.

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's MD&A can be found immediately following the independent auditor's report.

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

### **Profile of the Government**

The City of Mount Vernon was incorporated in June 1890. The City is located 60 miles north of Seattle in the northwest portion of the State of Washington. The City of Mount Vernon currently occupies a land area of 12 square miles within the city limits and 16 within the designated Urban Growth Area (UGA) serving a population of 35,740 as of June 2019. The City of Mount Vernon is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation of Urban Growth Areas, which occurs periodically when deemed appropriate by the governing council and subject to county approval.

The City of Mount Vernon is a non-charter code city that operates under the council-mayor form of government. Policymaking and legislative authority are vested in the City Council consisting of seven council members. The City Council is responsible, among other things for passing ordinances, adopting the budget and confirming mayoral appointments of various committee members and city department heads. The Mayor is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The City Council and Mayor are elected on a non-partisan basis. Council members serve four-year staggered terms. The Mayor serves a four-

year term. Six council members are elected by ward. The Mayor and one council member are elected at large.

The City of Mount Vernon provides a full range of services including police and fire protection; the construction and maintenance of streets and other infrastructure; planning, zoning and building inspections; recreational, leisure and cultural events which include park facilities and the city library; and general administrative services. The City operates enterprise funds for wastewater and solid waste services, and stormwater management.

Budgets are prepared in accordance with the Revised Codes of Washington, RCW 35.33. The annual City budget serves as the foundation of the City of Mount Vernon's financial planning and controls, which must be adopted no later than December 31 of the preceding year. The budget is prepared by fund and department. A budget increase or decrease to a fund must be authorized by the City Council, while appropriation changes within a fund may be authorized by the Mayor. All budgets are controlled on a fund basis.

### **Local Economy**

Mount Vernon is the seat of Skagit County and is the 35th largest city in the State of Washington. Growth experienced in Mount Vernon can be attributed mainly to the quality of life associated with the rural setting and its commuter proximity to the Seattle-Everett Metropolitan and Bellingham-Vancouver, B.C. areas accessible by I-5, the major north-south transportation corridor in Washington. Skagit Regional Health is the largest employer located in Mount Vernon. Other significant employers in our city include Mount Vernon School District, Skagit County Government, Skagit Valley College, Walmart, City of Mount Vernon, Lowes Hardware, Skagit Gardens, Skagit Publishing, and Perdue Foods, LLC.

The City of Mount Vernon and the local economy has seen slow and steady improvements and growth since the recession, when in 2011 the City noted its lowest levels in certain major revenue categories. In 2013, continuing through 2019 the local economy has shown positive signs of recovery particularly in sales tax activity, development and building construction activity, and most recently with real estate transactions. Sales tax revenues in 2019 have notably increased (68%) when compared to the recessionary low point in 2011 for the City. After a period of decline in assessed valuations, the City has seen continual increases in assessed valuation since 2013. The impact of COVID-19 on the City's economy is unknown at this time since an increase in unemployment and a decrease in revenue collections will negatively affect the City as long as the COVID-19 health issue lingers on.

The 2019 average unemployment rate in Skagit County declined to 5.4% compared to 5.6% in 2018, while the Washington State 2019 average unemployment rate was 4.3%. Mount Vernon's unemployment rates are somewhat higher than the State average due to the high percentage of seasonal, cyclical and part-time temporary employment positions. Due to the COVID-19 pandemic unemployment in the Skagit County increased to 19% and is slowly decreasing. Again, the long-term impact that COVID-19 might have on unemployment is an unknown at this time.

### **Long-term Financial Planning and Relevant Financial Policies**

The City develops six-year financial forecasts, which are updated annually based on economic conditions and other factors. These forecasts are used as a planning tool and during the budget process, which provides the Mayor and City Council key information as they review funding priorities for the long-term operating and capital needs of the City. The Mayor and City Council have established primary goals and priorities, which are updated on an annual basis and are

incorporated into the annual budget process. The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of Mount Vernon; therefore, the establishment and maintenance of wise fiscal policies enables City officials to protect public interests and ensure public trust. The City of Mount Vernon's financial management policies have been adopted by the City Council and are reviewed on an annual basis during the budget process.

The City has a policy to maintain an adequate level of general operating reserves to mitigate current and future risks including revenue shortfalls and unanticipated expenditures. The City's policy is to maintain a target reserve of fifteen percent of the operating budget in the General Fund. A crucial consideration in long-term financial planning is the City's financial policy to maintain adequate reserves in City operating funds. One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. As part of the budget process, significant one-time receipts and excess reserves, if applicable, can be used to fund non-recurring expenditures.

### **Major Initiatives**

The City of Mount Vernon has undertaken a multi-year flood control project to permanently protect the downtown area from the threat of flooding, providing flood protection from the base 100-year flood as defined by the Federal Emergency Management Administration (FEMA). The third and final infrastructure component of the project was completed in 2018. These components included construction of the floodwall, a 30,000 square foot park plaza in the heart of downtown, public restrooms and an urban riverwalk that adjoins the floodwall. The entire project runs the length of downtown Mount Vernon ending with a ring-dike around the City's wastewater treatment plant. The project not only provides protection from flooding of the Skagit River, and removes downtown from the FEMA designated 100-year floodplain, but has also begun to spur economic development and redevelopment in the downtown core. The City is continuing in the planning and funding options for the Mount Vernon Library Commons project, which includes a new Library, Community Center and Parking structure. Parking is a need with the growth and redevelopment of the downtown core.

The Mayor and City Council identified several initiatives and improvements that were needed to meet citizen's demand for services, improved access and livability. Maintaining quality public safety for the citizens of the City is a primary initiative, which is demonstrated in part by the annual budget that is dedicated to public safety. Sixty percent of the 2019 governmental operating fund budgets were dedicated to public safety and criminal justice. Other primary focus areas include improvements that address traffic congestion and flow patterns in key areas of the City resulting in a few key transportation projects.

The City is also focused on certain economic opportunity sectors to support and grow a healthy business environment in the City. Primary focus areas include promoting the City's fiber optic infrastructure and a concerted emphasis on encouraging private development of certain industries (technology, health care, agri-tech/value-added agriculture and agriculture tourism, and aerospace supply/advanced manufacturing).

In 2016 the City completed an update to the Comprehensive Plan adding goals of creating streamlined regulations around critical needs housing, mixed use development, and multifamily development. City Council subsequently funded an increase in professional services to assist staff in crafting new regulations and code revisions.

**Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mount Vernon for its comprehensive annual financial report for the year ended December 31, 2018. This was the thirteenth consecutive year, and the twentieth year overall, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report and recognition from the State Auditor could not have been accomplished without the efforts and dedication of City staff. I am very proud of those who have dedicated numerous hours of service to the City in this effort. I would like to express my appreciation to staff members in the Finance Department who assisted in its preparation. I would also like to thank the Mayor and City Council members for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Doug Volesky  
Finance Director

# FINANCIAL SECTION





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

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

July 30, 2020

Mayor and City Council  
City of Mount Vernon  
Mount Vernon, Washington

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mount Vernon, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mount Vernon, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in 15 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in 15.

## **Other Matters**

### ***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 table of contents be presented to supplement the basic financial statements. Such information, 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining and individual fund statements and schedules are presented for the purposes of additional analysis and 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 financial statements. This information has been subjected to 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 financial statements or to the 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 taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated July 30, 2020, 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. That report will be issued under separate cover in the City's Single Audit Report. 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 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.

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA

## Management's Discussion and Analysis

The management discussion and analysis section of the City of Mount Vernon's annual financial report provides a narrative overview of the City's financial activities and financial position at the end of December 31, 2019. This information should be read in conjunction with the financial statements and notes to the financial statements that follow.

### Financial Highlights

- Net position, the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources, equaled \$204,813,901 at the end of 2019. A total of 88.2%, or \$180,538,608, of total net position is invested in capital such as streets, land, buildings and utility infrastructure. Of the remaining net position, 8.6%, or \$17,631,258, of total net position is unrestricted and available to meet the City's ongoing activities and obligations, and 3.2%, or \$6,644,035, is restricted for debt service and other purposes.
- The City of Mount Vernon's net position increased by \$11,247,285 in 2019, representing a 5.8% increase compared to 2018 net position. The increase included \$483,971 in prior period adjustments. See Note 14. The increase was primarily the result construction activity during the year. Net position for Governmental Activities increased 10.2% or \$12,813,120 while Business-type Activities decreased 2.3% or \$1,565,835, compared to the prior year. Total investment in capital assets net of any related debt increased \$6,547,306, again, because of construction projects during 2019.
- Governmental fund balances at year end were \$10,218,000, a decrease of \$717,641, or 6.6% compared to the prior year. Unassigned Fund Balance in the General Fund was \$4,276,648 a decrease of \$575,776 compared to the prior year. As noted in the Required Supplementary Information (RSI) for the General Fund, fund balance at year end was \$5,490,408 or 19.1% of the final budget which complies with the City's fiscal policy to maintain a target reserve for General Fund balance of 15% of the operating budget.
- The financial statements represent fund balances as required by GASB which defines governmental fund balances into additional categories on the Balance Sheet for Governmental Funds. Of the \$10,218,000 in governmental fund balances at year end, restricted fund balance is 41.8% or \$4,272,560 of the total which reflects fund resources subject to externally enforceable legal restrictions; committed fund balance is 6.8% or \$690,790 which represents City imposed limitations as to the use of funds by City Council action; assigned fund balance is 18.5% or \$1,889,795 which reflects our City government's intended use for certain resources; and unassigned fund balance is 32.9% or \$3,364,852 of total fund balance for Governmental Funds representing the excess resources of all other categorized fund balances.

### Overview of the Financial Statements

The City's basic financial statements are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

### Government-Wide Financial Statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government, security of persons and property (police and fire), physical environment, transportation, economic environment and culture & recreation. Property, sales, and utility taxes finance the majority of these functions. The City's business-type activities are

wastewater, solid waste and surface water. The City's business-type activities are self-supporting through user fees and charges.

The **Statement of Net Position** presents information on all of the City's assets/deferred outflows and liabilities/deferred inflows, highlighting the difference between the two as net position. This statement is similar to the balance sheet of a private sector business.

The **Statement of Activities** presents both the gross and net cost of various activities, both governmental and business-type, which are provided by the City. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show a net cost for each specific function.

### **Fund Financial Statements**

The annual financial report includes fund financial statements in addition to the government-wide financial statements. Some funds are required to be established by State law and by bond covenants, while the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes or grants. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

**Governmental funds** are used to account for most of the City's basic services, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

The City of Mount Vernon maintains several individual governmental funds; however, for fiscal year 2019, the College Way at I-5 Improvement Project is a major fund. All other governmental funds are combined into a single column labeled *other governmental funds*.

The City maintains budgetary control over its operating funds through the adoption of an annual budget, which is adopted at the fund level and according to state law. A budgetary comparison statement is presented for the general fund as a required supplementary information schedule.

**Proprietary funds** are used by the City to account for business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Mount Vernon has two types of proprietary funds; enterprise and internal service funds. Enterprise funds are used to account for goods and services provided to outside customers (citizens and businesses). Internal service funds are used to account for goods and services provided internally to various city departments.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's wastewater utility, solid waste utility and the City's surface water utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles.

**Government-Wide Statement  
Statement of Net Position**

The following is a condensed version of the statement of net position for 2019 compared to 2018.

**Table 1  
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 27,140,554	\$ 25,885,906	\$ 15,538,093	\$ 16,214,617	\$ 42,678,649	\$ 42,100,523
Capital Assets, net of accumulated depreciation	129,218,300	121,253,010	70,728,797	72,456,060	\$ 199,947,097	\$ 193,709,070
Total Assets	156,358,854	147,138,916	86,266,890	88,670,677	242,625,746	235,809,593
Deferred Outflows - Pension	1,553,719	1,436,862	282,121	71,229	\$ 1,835,840	\$ 1,508,091
Long-term Liabilities	12,415,283	16,623,175	16,548,027	17,537,777	\$ 28,963,310	\$ 34,160,952
Other Liabilities	3,331,912	3,403,516	2,731,722	2,793,968	\$ 6,063,634	\$ 6,197,484
Total Liabilities	15,747,195	20,026,691	19,279,749	20,331,745	35,026,944	40,358,436
Deferred Inflows	3,991,107	3,187,939	629,631	204,694	\$ 4,620,738	\$ 3,392,633
<b>Net Position</b>						\$ -
Net Investment in Capital Assets	128,688,300	120,508,010	51,850,308	53,483,292	\$ 180,538,608	\$ 173,991,302
Restricted	4,487,560	4,339,005	2,156,475	2,161,507	\$ 6,644,035	\$ 6,500,512
Unrestricted	4,998,409	514,134	12,632,849	12,560,668	\$ 17,631,258	\$ 13,074,802
Total Net Position	\$ 138,174,269	\$ 125,361,149	\$ 66,639,632	\$ 68,205,467	\$ 204,813,901	\$ 193,566,616

The largest component of the City's net position, 88.1% or \$180,538,608, is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets such as streets, bridges, buildings, land, sewer and storm water lines, and sewer treatment plant are used to provide services to the citizens and businesses of the City.

Net position of the City's governmental activities increased 10.2% or \$12,813,120 while net position of the City's business type activities decreased 2.3% or \$1,565,835 in 2019.

Specific to business type activities, no major projects were undertaken in 2019. Net infrastructure in government funds totaled \$40,120,809, annual depreciation expense was \$5,789,385 in government funds, and \$4,205,760 in business-type funds. Total long-term debt principal payments totalled \$2,072,702 in 2019. Net position of the business type activities can only be used to finance the continuing operations of wastewater, solid waste, and surface water.

Approximately \$6.6 million, or 3.2%, of the City's total net position is subject to legal restrictions. Some of the larger restrictions include net pension assets, debt service, impact fees that must be dedicated to a particular use (transportation, parks, and fire), motor vehicle fuel tax dedicated for street operations or capital expenditures, lodging taxes reserved for tourism related activities and real estate excise taxes that are restricted for capital improvements.

**Governmental activities** net position increased \$12,813,120, a 10.2% increase in 2019 compared to 2018. The key elements of variations are as follows:

- Infrastructure improvements and capital purchases in governmental activities increased \$7,965,290. Annual depreciation expense was \$5,789,385 and long-term debt principal payments totalled \$215,000 in 2019.
- Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. Capital grants and contributions in the amount of \$7,326,551 are included in program revenues funded a major portion of the College Way I-5 Improvement Project. The associated construction expenses are not recorded as expenses in the year of construction but rather are allocated to expense over the lives of the assets through depreciation expense.

- Major tax revenues that support ongoing operations showed overall increase of \$945,004 in 2019 compared to 2018. Property tax increased 2.7% and Sales tax remained stable. Real estate excise tax decreased by 14.4% and utility tax decreased by 4.8% compared to 2018. The majority of the overall increase the Transportation Benefit District tax, which increased by 49.2%.
- Charges for services increased 33.1% compared to 2018, of which increases in revenues like transportation impact fees and engineering fees and charges, as well as increases in interfund engineering and street services and administrative overhead charges make up the majority of the total increase. Capital grants and contributions increased \$6.8 million compared to 2018 due to the College Way I-5 Project, and those grants used for that purpose. The overall changes in revenues in governmental activities are indicators that our economy continues to make steady yet slow improvements after the deep recession.
- Property tax revenue increased by \$206,106 in 2019, as previously noted, a 2.7% increase from 2018.
- Investment earnings for government activities were \$520,014 in 2019 and \$233,668 in 2018, an increase of \$286,346. Interest rates have increased in 2019 which caused earnings to increase at comparatively higher levels. Since the City holds all bonds to maturity the unrealized losses will not be realized. The primary responsibility of the City is to ensure the safety and liquidity of our investments and is being managed through a structured laddered investment portfolio.

**Business-type activities** net position decreased by \$1,565,835 at December 31, 2019, compared to an \$1,499,509 increase in December 31, 2018.

- The Wastewater Utility net position decreased by \$622,965, a decrease of 1.2% compared to 2018. Operating costs increased \$1,736,370, this was mainly due to an increase in the water treatment costs.
- The Solid Waste Utility had a \$874,147, or 24.8% decrease in net position. The Utility had \$29,437 in depreciation expense in 2019.
- The Surfacewater Utility net position decreased \$68,723, a .5% decrease compared to 2018. The utility had prior period adjustment of \$223,112 reflecting a change in prior asset valuations. Depreciation expense was \$627,023, and infrastructure donated by private developers of \$309,159 in 2019.
- Net capital assets for business-type activities decreased \$1,727,266, due to limited capital projects undertaken in 2019. This included \$1,401,805 of donated capital contributions from developers. The annual depreciation expense was \$4,205,760. Annual principal payments were \$1,857,702
- Wastewater Utility charges for services in 2019 remained stable compared to 2018. No notable changes to service areas and no change to utility rates account for the minimal change in operating revenues. Net position in the Wastewater Utility was 76.6% of all business-type activities net position and 24.9% of total city net position. Only 20% of the utility's net position is unrestricted; 75.6% of net position is categorized as investment in capital assets, net of related debt.
- The Solid Waste Utility had a 4.3% increase in charges for services compared to 2018, primarily due to increased utility rates in 2019. Unrestricted net position represents 62.9% of total net position, while 37.1% of net position represents investment in capital assets, net of related debt.
- Charges for services in the Surfacewater Utility in 2019 increased 9% compared to 2018. There was a CPI rate increase in 2019. Unrestricted net position represents 5.4% of total net position for the utility, while 94.6% of net position represents investment in capital assets, net of related debt.
- Interest and investment earnings for business-type activities increased to \$393,940 as compared to \$147,220 in 2018. As previously stated, interest rates have increased in 2019.

**Changes in Net Position** The following schedule shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2019 and 2018.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$ 9,087,726	\$ 6,768,130	\$ 17,057,466	\$ 16,569,243	\$ 26,145,192	\$ 23,337,373
Operating Grants and Contributions	427,445	502,246	15,997	57,243	443,442	559,489
Capital Grants and Contributions	7,326,562	563,011	1,401,805	1,189,691	8,728,367	1,752,702
General Revenues						
Property Tax	7,801,753	7,595,647			7,801,753	7,595,647
Sales Tax	7,768,604	7,730,663			7,768,604	7,730,663
Utility Taxes	3,980,370	4,180,841			3,980,370	4,180,841
Transportation Benefit Dist Tax	2,638,544	1,768,530			2,638,544	1,768,530
Real Estate Excise Tax	1,455,195	1,699,748			1,455,195	1,699,748
Other taxes	3,827,577	3,551,620			3,827,577	3,551,620
Investment interest	520,014	233,668	393,940	147,220	913,954	380,888
Miscellaneous	305,840	1,006,856	97,977	137,959	403,817	1,144,815
<b>Total Revenues</b>	<b>45,139,630</b>	<b>35,600,960</b>	<b>18,967,185</b>	<b>18,101,356</b>	<b>64,106,815</b>	<b>53,702,316</b>
<b>Expenses</b>						
General Government	8,088,823	8,500,805			8,088,823	8,500,805
Security	16,927,057	14,398,159			16,927,057	14,398,159
Physical Environment	421,001	1,009,749			421,001	1,009,749
Transportation	4,068,563	5,280,705			4,068,563	5,280,705
Economic Environment	600,977	742,702			600,977	742,702
Culture and Recreation	3,145,097	3,579,609			3,145,097	3,579,609
Interest on Long-Term Debt	235,850	187,637			235,850	187,637
Wastewater			10,427,995	8,724,772	10,427,995	8,724,772
Solid Waste			6,905,829	5,482,497	6,905,829	5,482,497
Surfacewater			2,522,308	2,294,577	2,522,308	2,294,577
<b>Total Expenses</b>	<b>33,487,368</b>	<b>33,699,366</b>	<b>19,856,132</b>	<b>16,501,846</b>	<b>53,343,500</b>	<b>50,201,212</b>
Changes in Net Position Before Transfers	11,652,262	1,901,594	(888,947)	1,599,510	10,763,315	3,501,104
Transfers, Internal	900,000	100,000	(900,000)	(100,000)	-	-
<b>Changes in Net Position</b>	<b>12,552,262</b>	<b>2,001,594</b>	<b>(1,788,947)</b>	<b>1,499,510</b>	<b>10,763,315</b>	<b>3,501,104</b>
Net Position - Beginning	125,622,008	123,359,555	68,428,579	66,705,958	194,050,587	190,065,513
<b>Net Position - Ending</b>	<b>\$ 138,174,269</b>	<b>\$ 125,361,149</b>	<b>\$ 66,639,632</b>	<b>\$ 68,205,468</b>	<b>\$ 204,813,901</b>	<b>\$ 193,566,617</b>

### Financial analysis of the City's 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 financial requirements in the near future. In particular, fund balance is a good indicator of the City's resources available at the end of the year.

The governmental funds, as presented on the balance sheet in the basic financial statement section reported fund balance of \$10,218,000 which is 6.9% lower than at the beginning of the year.

- Fund balance in the General Fund decreased \$574,284, a 9.5% decrease compared to 2018. Major services (expenditures) provided for in the General Fund increased 15.8% compared to 2018. Revenues increased 13.2% compared to 2018. Increases in expenditures are due to increased costs in Security of persons and property. Also, due to implementing GASB Statement No. 84, Fiduciary Activities, all the City's prior fiduciary funds no longer meet the definition of a fiduciary fund. These funds were rolled into the General Fund.
- The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source providing 74.1% of the revenues to support 2019 expenditures. The 2019 ending fund balance of the General Fund in the government funds is 77.9% as reflected in the required supplementary information section for the General Fund Budget and Actual schedule.

- There is one major fund in the 2019 financial statements: College Way I-5 Improvement Fund.

The **Proprietary Funds** provide the same type of information found in the government-wide financial statements, but in more detail.

- Net position in the Wastewater Utility decreased \$622,965 compared to 2018. Major impacts to net position have been addressed in the previous section on business-type activities.
- The Solid Waste Utility net position decreased \$874,147 in 2019 compared to 2018. Major impacts to net position have been addressed in the previous section on business-type activities.
- Net position in the Surfacewater Utility decreased \$291,835, with a prior period adjustment of additional \$223,112, for a net decrease of \$68,723 compared to 2018. See Note 14. Major impacts to net position have been addressed in the previous section on business-type activities.
- Other factors concerning the finances of the City's proprietary funds have previously been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The following is a brief review of the budgeting changes from the adopted original budget to the amended final budget for the General Fund as shown in the required supplementary information section for the General Fund Budget and Actual schedule.

- The General Fund budget was supplemented as follows during 2019.
- There were budget transfers between departments within the General Fund which did not increase the overall budget. Transfers were necessary to move budget dollars to various departments in the General Fund in reasonably small amounts with the largest amounts added to the Non-Departmental fund for vacancy savings, overages in 911 Center fees as well as a transfer to the Police Department for additional police equipment. Other departments budget transfers included supplementing the City Council budget for increases in salaries and benefits, Municipal Court for probation services, Mayor's Office for increased Skagit Council of Government expenses and to General Facilities for increase in repairs and maintenance. The transfers came from the Human Resources Department, Fire Department, Development Services and CDBG Entitlement Grant budgets.
- As noted the General Fund final budget as reported in the required supplementary information of the financial report for 2019 was \$28,763,598 of which \$28,380,475, or 99%, was expended for the year. It is typical that a small percentage of the General Fund budget remains unspent at year end. For previous years (2010 through 2018) on average of approximately 96% of the final General Fund budget is expended.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of December 31, 2019, the City of Mount Vernon's investment in capital assets for its governmental and business-type activities amounts to \$180,538,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, infrastructure, utility systems, streets and bridges.

Capital assets net of depreciation increased \$7,965,290 for governmental activities, representing a 6.6% increase compared to 2018, with business-type activities capital assets decreasing by \$1,727,266 or 2.4%. 64.6% of capital assets are for governmental activities with 29% attributed to business-type activities.

**Table 3**  
**Capital Assets**  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	33,857,006	33,413,695	3,903,006	3,826,316	37,760,011	37,240,011
Building	6,162,043	6,444,463	28,389,894	30,123,628	34,551,937	36,568,091
Improvements Other Than Buildings	30,128,473	30,436,763	35,636,026	36,239,638	65,764,499	66,676,401
Machinery and Equipment	7,516,120	7,235,978	1,036,446	603,492	8,552,566	7,839,470
Construction in Progress	11,287,509	1,423,575	1,763,424	1,662,987	13,050,934	3,086,562
Infrastructure	40,120,809	42,166,664			40,120,809	42,166,664
Art	146,341	131,872			146,341	131,872
<b>Total</b>	<b>129,218,301</b>	<b>121,253,010</b>	<b>70,728,797</b>	<b>72,456,061</b>	<b>199,947,097</b>	<b>193,709,071</b>

Additional information on the City of Mount Vernon’s capital assets can be found in Note 5 of this report.

**Long Term Debt**

At year end, the City had \$17,645,066 in bonds and notes outstanding versus \$19,717,769 last year, reflecting a net decrease of \$2,072,703.

**Table 4**  
**Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds and Notes	530,000	745,000	17,115,066	18,972,769	17,645,066	19,717,769
<b>Total</b>	<b>530,000</b>	<b>745,000</b>	<b>17,115,066</b>	<b>18,972,769</b>	<b>17,645,066</b>	<b>19,717,769</b>

Additional information on the City of Mount Vernon’s long-term debt activity can be found in Note 10 of this report.

The City of Mount Vernon is authorized to issue debt pursuant to the Acts of the State of Washington. With voter approval, the City can issue debt up to 2.5 percent of the assessed valuation. Without a vote, the City can incur debt up to an amount equal to 1.5 percent of the assessed valuation of taxable property within the City. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5 percent.

**Net Pension Liability**

Government Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Washington’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of

a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Washington, the employee shares the obligation of funding pension benefits with the employer. The amounts they contribute are calculated as a percentage of the employee's pay. In a few plans, those percentages are set in statute, but for the most part, the legislature can adjust the rates as needed. The Washington State Investment Board collectively invests the contributions and the earnings on those investments help to fund the plans.

The Office of State Actuary (OSA) performs a valuation of the retirement plans every other year, studying the experience of each and analyzing the effects of anticipated economic and demographic changes. In the valuation, OSA determines how much money must be contributed annually to pay for the benefits members are expected to earn during their public service.

OSA's recommendations then go to the Pension Funding Council, which is responsible for evaluating and adopting employee and employer contribution rates (subject to review by the Legislature). There is one exception – rates for the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 are evaluated and adopted by the LEOFF Plan 2 Retirement Board.

A plan with assets that equal its liabilities is termed *fully funded*, which means the value of the assets on hand equals the plan's accrued liabilities. Any gap between the benefits earned and a retirement plan's assets is referred to as an unfunded liability. A plan with unfunded liability is considered underfunded.

Washington State has fully funded and underfunded state retirement plans. Current state funding policy requires additional contributions to return the underfunded plans to a fully funded status. As a result of that commitment, it is expected all Washington state retirement plans will have adequate assets to provide for all earned benefits into the future.

Most long-term liabilities have set repayment schedules or, in the case of compensated absence (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments effect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

### **Economic Factors**

The City of Mount Vernon considered many factors when setting the 2019 fiscal year budget, property tax rates and the fees that will be charged the citizens of the community for government activities and business-type activities. The state of the economy for the region, state and nation were also taken into consideration in establishing the City's annual budget for 2019. Both residential and commercial growth of the City, were factors weighed, as well as the attraction of our community as a place to live and work. The City's major governmental operating revenues started to show a leveling off in 2011, then slow recovery in 2012 as compared to the lowest points of the recession. These revenues for the year ended in 2019 continued to show slow and steady improvement. For instance, sales tax revenues in 2019 were over 64% higher when compared to 2011, the lowest collection year during the recent recession. As a result of a slow and steady increase in sales tax revenues beginning in 2012, the 2019 sales tax revenues were 2.5% higher than 2018. Property tax collection rates have remarkably recovered, and new construction activity has shown notable improvements since the severe

downturn in the economy which began in 2008. Additional revenue improvements are discussed in the Fund Financial Statements, Governmental Activities section. The City closely monitors its financial condition throughout the year, reviewing monthly revenue trends and expenditure activity, and will continue to make sound, thoughtful fiscal decisions on behalf of the City. In addition, the City Council and Mayor take a conservative view on budget growth, as is reflected in our annual adopted budgets. The City has adopted financial management policies that are reviewed annually and are used as tools in the management of the fiscal health of the City.

The City's overall financial position remains sound, which in part can be attributed to a proactive and watchful approach to monitoring and reacting to financial conditions. Total net position for the City increased by 5.4% in 2019 compared to 2018. This was primarily the result of federal and state grants we received for the College Way I-5 Improvement Project. The City of Mount Vernon remains cautiously optimistic about the City's future economic health. See Note 15 Subsequent Events.

The City has already seen resurgence in economic activity and new businesses opening in our downtown core resulting in part from the completion of the Downtown Waterfront project.

The final component of the overall project is to construct a parking facility(s) structure in the core downtown area to address future development and related parking needs. The City of Mount Vernon is in the planning phase of a new project that will include a new city library, community center and parking structure. One major component of financing for this project is the utilization of the Local Infrastructure Financing Tool (LIFT). Mount Vernon's City Council approved an ordinance, imposing a local sales and use tax to be credited against the Washington State Sales and Use Tax for purposes of utilizing the Local Infrastructure Financing under Chapter 39.102 of the Revised Code of Washington (RCW).

The City of Mount Vernon is also planning on a voted ballot measure to include a bond for a new Fire Station #1 and an expansion and improvements to Fire Station #3 in late 2020 or 2021.

The State of Washington, by constitution, does not have a state personal income tax and therefore the state operates primarily using property, sales, business and occupation, and gasoline taxes. The City of Mount Vernon primarily relies on property, sales and utility taxes, and franchise fees to fund governmental activities. Because of the COVID-19 pandemic, the City is facing foreseeable restrictions or other limitations that could significantly impact funding resources for future uses. See Note 15.

For business-type and certain governmental activities (e.g. permitting and recreation) the user pays a related fee or charge associated with the service provided.

### **Financial Contact**

The City's financial statements are designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, 910 Cleveland Avenue, Mount Vernon, Washington, 98273, or visit the City's website at [www.mountvernonwa.gov](http://www.mountvernonwa.gov).

STATEMENT OF NET POSITION  
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,778,794	\$ 2,439,302	\$ 6,218,096
Investments	12,299,577	8,661,792	20,961,369
Receivables:			
Taxes	1,653,593	-	1,653,593
Accounts	793,853	2,250,807	3,044,660
Interest	37,792	29,717	67,509
Due from other governments	1,569,029	-	1,569,029
Inventory	48,181	-	48,181
Net state-sponsored pension asset	6,744,735	-	6,744,735
Restricted assets:			
Cash and cash equivalents	215,000	2,156,475	2,371,475
Capital assets:			
Non-depreciable	45,290,855	5,666,430	50,957,285
Depreciable, net	83,927,445	65,062,367	148,989,812
<b>Total Assets</b>	<b>156,358,852</b>	<b>86,266,890</b>	<b>242,625,744</b>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflows - Pensions	1,553,719	282,121	1,835,840
<b>Total Deferred Outflows</b>	<b>1,553,719</b>	<b>282,121</b>	<b>1,835,840</b>
<b>LIABILITIES</b>			
Accounts payable	1,882,750	633,355	2,516,105
Employee wages/benefits payable	1,075,071	158,022	1,233,093
Interest payable	-	33,819	33,819
Current liabilities			
Compensated Absences due within one year	159,091	26,421	185,512
Other non-current liabilities due within one year	215,000	1,880,105	2,095,105
Noncurrent liabilities:			
Compensated Absences due in more than one year	1,431,821	237,792	1,669,613
Net state-sponsored pension liability	2,343,794	1,075,273	3,419,067
Total OPEB liability	8,133,543	-	8,133,543
Asset retirement obligations	191,125	-	191,125
Other non-current liabilities due in more than one year	315,000	15,234,961	15,549,961
<b>Total Liabilities</b>	<b>15,747,195</b>	<b>19,279,748</b>	<b>35,026,943</b>
<b>DEFERRED INFLOWS</b>			
Deferred Inflows - Pensions	3,641,107	629,631	4,270,738
Deferred Inflows - Grant received in advance	350,000	-	350,000
<b>Total Deferred Inflows</b>	<b>3,991,107</b>	<b>629,631</b>	<b>4,620,738</b>
<b>NET POSITION</b>			
Net investment in capital assets	128,688,300	51,850,308	180,538,608
Restricted for:			
Public safety	1,216,701	-	1,216,701
Economic environment	190,845	-	190,845
Streets and transportation	2,865,014	-	2,865,014
Debt service	215,000	2,156,475	2,371,475
Unrestricted	4,998,409	12,632,849	17,631,258
<b>Total Net Position</b>	<b>\$ 138,174,269</b>	<b>\$ 66,639,632</b>	<b>\$ 204,813,901</b>

*The accompanying notes are an integral part of this statement*

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2019

Functions/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 8,088,823	\$ -	\$ -	(5,057,873)	-	(5,057,873)
Security of persons and property	16,927,057	76,525	-	(14,882,097)	-	(14,882,097)
Physical environment	421,001	-	-	671,754	-	671,754
Transportation	4,068,563	-	7,326,551	4,848,491	-	4,848,491
Economic environment	600,977	302,720	-	103,091	-	103,091
Culture and recreation	3,145,097	48,200	-	(2,093,162)	-	(2,093,162)
Interest and redemption of long-term debt	235,850	-	-	(235,850)	-	(235,850)
Total governmental activities	<u>33,487,368</u>	<u>427,445</u>	<u>7,326,551</u>	<u>(16,645,646)</u>	<u>-</u>	<u>(16,645,646)</u>
<b>Business-type activities:</b>						
Wastewater	10,427,995	15,997	1,092,646	-	(869,976)	(869,976)
Solid Waste	6,905,829	-	-	-	(815,035)	(815,035)
Surfacewater	2,522,308	-	309,159	-	304,147	304,147
Total business-type activities	<u>19,856,132</u>	<u>15,997</u>	<u>1,401,805</u>	<u>-</u>	<u>(1,380,864)</u>	<u>(1,380,864)</u>
Total government	<u>\$ 53,343,500</u>	<u>\$ 443,442</u>	<u>\$ 8,728,356</u>	<u>(16,645,646)</u>	<u>(1,380,864)</u>	<u>\$ (18,026,510)</u>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes				7,801,753	-	7,801,753
Sales taxes				7,768,604	-	7,768,604
Utility Tax				3,980,370	-	3,980,370
Public safety sales taxes				2,638,544	-	2,638,544
Criminal justice sales taxes				151,182	-	151,182
Transportation benefit district sales taxes				1,819,932	-	1,819,932
Real estate excise taxes				1,455,195	-	1,455,195
Other taxes				1,856,473	-	1,856,473
Interest and investment earnings				520,014	393,940	913,954
Miscellaneous				305,840	97,977	403,817
Transfers				900,000	(900,000)	-
Total general revenues and transfers				<u>29,197,907</u>	<u>(408,083)</u>	<u>28,789,824</u>
Change in net position				12,552,261	(1,788,947)	10,763,314
Net position-beginning				125,361,149	68,205,467	193,566,616
Accounting Change				260,859	223,112	483,971
Restate Net Position - beginning				125,622,008	68,428,579	194,050,587
Net position-ending				<u>\$ 138,174,269</u>	<u>\$ 66,639,632</u>	<u>\$ 204,813,901</u>

The accompanying notes are an integral part of this statement

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019

	General Fund	College Way And I5 Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 608,567	\$ -	\$ 1,261,915	\$ 1,870,482
Investments	3,642,322	-	4,217,032	7,859,354
Receivables:				
Taxes	1,653,593	-	-	1,653,593
Accounts	721,841	368,141	71,803	1,161,785
Interest	12,520	-	8,936	21,456
Due from other funds	1,966,555	-	-	1,966,555
Due from other governments	48,855	577,775	942,399	1,569,029
Total Assets	\$ 8,654,255	\$ 945,916	\$ 6,502,085	\$ 16,102,254
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,423,049	\$ 60,927	\$ 289,353	\$ 1,773,329
Employee wages/benefits payable	1,006,744	-	53,575	1,060,319
Due to other funds	-	469,528	1,497,027	1,966,555
Interfund loans payable	366,123	-	-	366,123
Total Liabilities	2,795,916	530,455	1,839,955	5,166,324
<b>Deferred Inflows of Resources -</b>				
Assets associated with unavailable revenues	367,932	-	350,000	717,932
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Streets and arterials	-	-	1,195,412	1,195,412
Path & trails	-	-	101,526	101,526
Transportation benefit district improvements	-	415,461	484,795	900,256
Tourism promotion	-	-	183,051	183,051
Criminal justice	-	-	56,397	56,397
Economic development	7,794	-	-	7,794
REET I capital improvements	-	-	667,820	667,820
REET II street improvements	-	-	-	-
Public Safety	333,726	-	120,172	453,898
Impact fees	-	-	706,406	706,406
<b>Committed to:</b>				
Government access	-	-	690,790	690,790
<b>Assigned to:</b>				
Parks	7,353	-	-	7,353
Library	249,419	-	799,104	1,048,523
Lincoln commercial block	129,970	-	-	129,970
LEOFF 1 LT care reserve	441,077	-	-	441,077
Streets and arterials	-	-	218,455	218,455
Economic development	44,417	-	-	44,417
Road improvements	-	-	-	-
<b>Unassigned:</b>				
General Fund	4,276,648	-	(911,796)	3,364,852
Total Fund Balances	5,490,408	415,461	4,312,132	10,218,000
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,654,255	\$ 945,916	\$ 6,502,086	\$ 16,102,254

The accompanying notes are an integral part of this statement

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RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2019

Fund balances - total governmental funds		\$ 10,218,000
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 are not reported in the governmental funds.		
Non-depreciable assets	44,603,152	
Depreciable assets (net)	<u>77,058,265</u>	121,661,417
Other long-term assets are not available to pay for current-period expenditures and therefore are classified as deferred inflows of resources or not recognized in the funds.		
Net LEOFF 1 & 2 pension asset & related deferred out/inflows	6,744,735	
Net volunteer firefighter's pension asset		
Net firefighter's pension asset & related deferred outflows	-	
Deferred inflows of resources	<u>1,527,244</u>	8,271,979
Some liabilities, including bonds payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated Absences	1,566,124	
Deferred inflows of resources	3,582,024	
Net other postemployment benefit obligation	8,133,543	
Net asset retirement obligation	191,125	
Net PERS 1 & 2/3 benefit obligation & related deferred out/inflows	2,242,886	
Long-term liabilities	<u>530,000</u>	(16,245,702)
Internal service funds are used by management to charge the cost of certain activities to individual funds.		
Total assets and liabilities of the internal service funds that are reported with governmental activities.	<u>14,268,577</u>	14,268,577
Net position of governmental activities		<u>\$ 138,174,269</u>

The accompanying notes are an integral part of this statement

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STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	General Fund	College Way And I5 Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 23,616,234	\$ -	\$ 3,848,273	\$ 27,464,507
Licenses and permits	1,191,128	-	72,428	1,263,556
Intergovernmental revenues	1,238,220	5,477,947	2,790,586	9,506,753
Charge for services	4,505,683	-	1,153,517	5,659,200
Fines and forfeitures	326,490	-	-	326,490
Investment income	233,000	-	54,578	287,578
Other revenue	743,279	-	48,941	792,220
Total Revenues	<u>31,854,034</u>	<u>5,477,947</u>	<u>7,968,323</u>	<u>45,300,304</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,965,487	-	160,756	6,126,243
Security of persons and property	19,391,952	-	53,371	19,445,323
Physical environment	1,915,240	-	-	1,915,240
Transportation	823,658	-	2,228,721	3,052,379
Economic environment	543,592	-	476,597	1,020,189
Culture and recreation	3,207,610	-	249,876	3,457,486
Capital outlay	989,403	7,154,138	3,626,218	11,769,759
Debt service:				
Principal	100,000	-	115,000	215,000
Interest	10,718	-	10,132	20,850
Total Expenditures	<u>32,947,659</u>	<u>7,154,138</u>	<u>6,920,671</u>	<u>47,022,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,093,625)</u>	<u>(1,676,191)</u>	<u>1,047,652</u>	<u>(1,722,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	172,000	1,980,104	2,037,186	4,189,290
Transfers out	(82,000)	-	(3,532,105)	(3,614,105)
Sale of capital assets	29,917	-	-	29,917
Total other financing sources (uses)	<u>119,917</u>	<u>1,980,104</u>	<u>(1,494,919)</u>	<u>605,102</u>
Net change in fund balances	(973,708)	303,913	(447,267)	(1,117,063)
Fund Balances - January 1	<u>6,064,691</u>	<u>111,548</u>	<u>4,759,397</u>	<u>10,935,636</u>
Prior period adjustment - accounting change	399,425	-	-	399,425
Fund Balances - December 31	<u>\$ 5,490,408</u>	<u>\$ 415,461</u>	<u>\$ 4,312,131</u>	<u>\$ 10,218,000</u>

The accompanying notes are an integral part of this statement

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Net changes in fund balances - total governmental funds	\$	(717,638)
Amounts reported for governmental activities 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 are depreciated over their estimated useful lives.		
Expenditures for capital assets	11,769,759	
Less current year depreciation	<u>(3,876,999)</u>	7,892,760
The effect of various miscellaneous transactions involving capital assets not reported in governmental funds.		
Contributions of capital assets	-	
Disposals of capital assets	<u>(675,549)</u>	(675,549)
Issuance of long-term debt is an other financing source and repayment of debt principal is an expenditure in governmental funds, but the issuance or repayment increases/reduces long-term liabilities in the statement of net position.		
Principal payments	<u>(215,000)</u>	(215,000)
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expense in governmental funds.		
Net state-sponsored pension asset	1,219,930	
Net state-sponsored pension liability	1,960,863	
Net other postemployment benefit obligation	1,943,603	
Employee benefits payable	81,710	
Deferred Inflows/outflows of resources	(798,836)	
Other	<u>581,402</u>	4,988,672
Internal service funds or activities are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds and internal balances are reported with governmental activities.		
	<u>1,539,875</u>	<u>1,539,875</u>
Change in net position of governmental activities	\$	<u><u>12,813,120</u></u>

*The accompanying notes are an integral part of this statement*

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2019

	Business-type Activities Enterprise Funds				Governmental Activities - Equipment Rental Internal Service Fund
	Wastewater	Solid Waste	Surface- water	Totals	
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,622,309	\$ 620,809	195,682	\$ 2,438,800	\$ 2,123,312
Investments	7,161,475	1,163,828	336,489	8,661,792	4,440,223
Accounts receivable	1,122,910	825,435	302,462	2,250,807	-
Interest receivable	15,473	6,360	7,884	29,717	16,336
Interfund loans receivable	-			-	366,123
Due from other governments	-		-	-	
Inventory	-			-	48,181
Total current assets	<u>9,922,167</u>	<u>2,616,432</u>	<u>842,517</u>	<u>13,381,116</u>	<u>6,994,175</u>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
<b>Debt service:</b>					
Cash and cash equivalents	2,156,475	-	-	2,156,475	-
Total restricted assets	<u>2,156,475</u>	<u>-</u>	<u>-</u>	<u>2,156,475</u>	<u>-</u>
<b>Capital assets:</b>					
Land	1,741,579	646,000	1,515,427	3,903,006	
Buildings	55,335,306	339,138		55,674,444	145,000
Improvements other than buildings	58,420,058	42,972	22,436,727	80,899,757	72,545
Machinery and equipment	754,597	261,078	786,201	1,801,876	17,809,419
Construction in progress	1,763,424	-	-	1,763,424	385,496
Less accumulated depreciation	(60,505,808)	(310,806)	(12,497,096)	(73,313,710)	(10,855,574)
Total capital assets (net of depreciation)	<u>57,509,156</u>	<u>978,382</u>	<u>12,241,259</u>	<u>70,728,797</u>	<u>7,556,886</u>
Total noncurrent assets	<u>59,665,631</u>	<u>978,382</u>	<u>12,241,259</u>	<u>72,885,272</u>	<u>7,556,886</u>
Total assets	<u>\$ 69,587,798</u>	<u>\$ 3,594,814</u>	<u>\$ 13,083,776</u>	<u>\$ 86,266,388</u>	<u>\$ 14,551,061</u>
<b>DEFERRED OUTFLOWS</b>					
Deferred outflows - Pensions	\$ 173,772	\$ 93,017	\$ 15,331	\$ 282,120	\$ 26,475

The accompanying notes are an integral part of this statement

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2019

	Business-type Activities Enterprise Funds				Governmental Activities - Equipment Rental Internal Service Fund
	Wastewater	Solid Waste	Surface- water	Totals	
	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Surface- water</u>	<u>Totals</u>	<u>Service Fund</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 265,870	\$ 332,067	35,418	\$ 633,355	\$ 109,422
Employee wages/benefits payable	78,724	63,121	16,177	158,022	14,752
Compensated Absences	16,277	8,709	1,435	26,421	2,479
Matured interest payable	33,819			33,819	
Matured loans payable	1,880,105	-	-	1,880,105	
Total current liabilities	<u>2,274,795</u>	<u>403,897</u>	<u>53,030</u>	<u>2,731,722</u>	<u>126,653</u>
Noncurrent liabilities:					
Compensated Absences	146,496	78,378	12,919	237,793	22,309
Net pension liability - PERS	662,316	354,525	58,432	1,075,273	100,908
Loans payable	15,234,961	-	-	15,234,961	
Total noncurrent liabilities	<u>16,043,773</u>	<u>432,903</u>	<u>71,351</u>	<u>16,548,027</u>	<u>123,217</u>
Total liabilities	<u>18,318,568</u>	<u>836,800</u>	<u>124,381</u>	<u>19,279,749</u>	<u>249,870</u>
<b>DEFERRED INFLOWS</b>					
Deferred inflows - Pensions	<u>387,822</u>	<u>207,594</u>	<u>34,215</u>	<u>629,631</u>	<u>59,087</u>
<b>NET POSITION</b>					
Net investment in capital assets	38,630,667	978,382	12,241,259	51,850,308	7,556,886
Restricted for debt service	2,156,475	-	-	2,156,475	-
Unrestricted	<u>10,268,039</u>	<u>1,665,556</u>	<u>699,251</u>	<u>12,632,846</u>	<u>6,711,691</u>
Total net position	<u>\$ 51,055,181</u>	<u>\$ 2,643,938</u>	<u>\$ 12,940,510</u>	<u>\$ 66,639,630</u>	<u>\$ 14,268,577</u>

The accompanying notes are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2019

	Business-type Activities Enterprise Funds			Totals	Governmental Activities - Equipment Rental Internal Service Fund
	Wastewater	Solid Waste	Surface- water		
Operating revenues:					
Charges for utility services	\$ 8,449,376	\$ 6,090,794	2,517,296	\$ 17,057,466	\$ -
Charges for services/replacement	-	-	-	-	3,163,719
Total operating revenue	<u>8,449,376</u>	<u>6,090,794</u>	<u>2,517,296</u>	<u>17,057,466</u>	<u>3,163,719</u>
Operating expenses:					
Operations and maintenance	5,750,619	6,294,767	1,863,588	13,908,974	1,094,696
Taxes	824,193	581,595	31,697	1,437,485	
Depreciation and Amortization	3,549,270	29,467	627,023	4,205,760	1,184,116
Total operating expenses	<u>10,124,082</u>	<u>6,905,829</u>	<u>2,522,308</u>	<u>19,552,219</u>	<u>2,278,812</u>
Operating income (loss)	<u>(1,674,706)</u>	<u>(815,035)</u>	<u>(5,012)</u>	<u>(2,494,753)</u>	<u>884,907</u>
Nonoperating revenues (expenses):					
Intergovernmental revenue	15,997		-	15,997	-
Investment earnings	328,585	36,337	29,018	393,940	232,436
Miscellaneous revenue	118,426	4,551	(25,000)	97,977	18,529
Interest expense	(303,913)			(303,913)	
Gain (loss) on sale of capital assets	-	-	-	-	31,188
Total nonoperating revenue (expense)	<u>159,095</u>	<u>40,888</u>	<u>4,018</u>	<u>204,001</u>	<u>282,153</u>
Income (loss) before contributions and transfers	(1,515,611)	(774,147)	(994)	(2,290,752)	1,167,060
Capital contributions	1,092,646	-	309,159	1,401,805	
Transfers in		-		-	372,815
Transfers out	<u>(200,000)</u>	<u>(100,000)</u>	<u>(600,000)</u>	<u>(900,000)</u>	<u>-</u>
Change in net position	(622,965)	(874,147)	(291,835)	(1,788,947)	1,539,875
Total net position - beginning	<u>51,678,148</u>	<u>3,518,085</u>	<u>13,009,234</u>	<u>68,205,467</u>	<u>12,728,702</u>
Prior period adjustment			223,112	223,112	
Total net position - ending	<u>\$ 51,055,181</u>	<u>\$ 2,643,938</u>	<u>\$ 12,940,510</u>	<u>\$ 66,639,630</u>	<u>\$ 14,268,577</u>

The accompanying notes are an integral part of this statement

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2019

	Business-type Activities Enterprise Funds			Totals	Governmental Activities - Equipment Rental Internal Service Fund
	Wastewater	Solid Waste	Surface- water		
	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Surface- water</u>		<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 8,456,231	\$ 6,023,236	\$ 2,418,932	\$ 16,898,399	\$ 2,808,006
Cash payments to suppliers	(3,449,324)	(4,535,616)	(1,835,269)	(9,820,209)	(1,176,221)
Cash payments to employees	(1,708,279)	(1,353,292)	(395,897)	(3,457,468)	(316,752)
Cash payments for taxes	(816,755)	(581,596)	(31,697)	(1,430,048)	-
Other operating payments	(5,032)	(25,180)	-	(30,212)	48,298
Non-operating income	146,695	(9,054)	-	137,641	-
Net cash provided (used) by operating activities	<u>2,623,536</u>	<u>(481,502)</u>	<u>156,069</u>	<u>2,298,103</u>	<u>1,363,331</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Interfund loan repayments	-	-	25,000	25,000	(298,032)
Interfund loan to other fund	-	-	-	-	-
Transfers in	-	-	-	-	745,630
Transfers out	(200,000)	(100,000)	(600,000)	(900,000)	-
Net cash provided (used) by noncapital financing activities	<u>(200,000)</u>	<u>(100,000)</u>	<u>(575,000)</u>	<u>(875,000)</u>	<u>447,598</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(1,383,622)	(23,063)	(183,037)	(1,589,722)	(1,778,465)
Proceeds from sale of assets	-	-	-	-	(311,717)
Capital contributions	1,092,616	-	(309,159)	783,457	-
Principal paid on other debt	(1,880,105)	-	-	(1,880,105)	-
Interest paid on revenue bonds and other debt	328,585	-	-	328,585	-
Net cash provided (used) for capital and related financing activities	<u>(1,842,526)</u>	<u>(23,063)</u>	<u>(492,196)</u>	<u>(2,357,785)</u>	<u>(2,090,182)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment purchases	(3,356,841)	(1,467,066)	(345,472)	(5,169,379)	(4,479,283)
Investment sales/maturities	3,686,568	1,527,315	705,314	5,919,197	4,405,496
Interest on investments	(586,448)	38,724	36,387	(511,337)	314,713
Net cash provided (used) by investing activities	<u>(256,721)</u>	<u>98,973</u>	<u>396,229</u>	<u>238,481</u>	<u>240,926</u>
Net increase (decrease) in cash and cash equivalents	324,289	(505,592)	(514,898)	(696,201)	(38,327)
Cash and cash equivalents, January 1	10,615,971	2,290,232	1,047,070	13,953,273	6,601,862
Cash and cash equivalents, December 31	<u>\$ 10,940,259</u>	<u>\$ 1,784,637</u>	<u>\$ 532,171</u>	<u>\$ 13,257,067</u>	<u>\$ 6,563,535</u>

The accompanying notes are an integral part of this statement

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STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2019

	Business-type Activities Enterprise Funds				Governmental Activities - Equipment Rental Internal Service Fund
	Wastewater	Solid Waste	Surface- water	Totals	
	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Surface- water</u>	<u>Totals</u>	<u>Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (1,674,706)	\$ (815,035)	\$ (5,012)	\$ (2,494,753)	\$ 884,907
Adjustments to reconcile operating income to to net cash provided by operating activities:					
Depreciation	3,549,270	29,467	627,023	4,205,760	1,184,116
(Increase) decrease in accounts receivable	(6,825)	(67,559)	(102,603)	(176,987)	17,167
(Increase) decrease in due from other govt's	-	-	-	-	-
(Increase) decrease in inventory	-	-	-	-	1,749
(Increase) decrease in interest receivable	(47,192)	2,887	(4,239)	(48,544)	7,004
Increase (decrease) in accounts payable	112,344	63,844	(341,338)	(165,150)	(500,530)
Increase (decrease) in employee bene's pay	9,079	7,230	17,086	33,395	(5,766)
Non-cash GASB 68 PERS pension expense	681,565	362,913	(18,616)	1,025,862	99,263
Non-cash capital asset adjustment	-	(29,731)	8,769	(20,962)	-
Non-operating revenue	-	(35,519)	(25,000)	(60,519)	(324,579)
Net cash provided by operating activities	<u>\$ 2,623,535</u>	<u>\$ (481,502)</u>	<u>\$ 156,069</u>	<u>\$ 2,298,103</u>	<u>\$ 1,363,331</u>

The accompanying notes are an integral part of this statement

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**Notes to the Financial Statements  
December 31, 2019**

**NOTE 1:  
Summary of Significant Accounting Policies**

The City of Mount Vernon was incorporated on July 1, 1890. The City operates under the laws of the state of Washington applicable to a code city Mayor/Council form of government. The City Council is composed of seven members elected to four year terms. The City provides what are considered general government services including public safety, streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and wastewater services.

The financial statements of the City of Mount Vernon 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 City's significant accounting policies are described below.

**Reporting Entity**

As required by GAAP the financial statements present the City of Mount Vernon, the primary government. There are no component units (either blended or discretely presented) included in these statements.

**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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with 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 or 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 instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of an internal service fund for fleet maintenance. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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 **College Way I-5 Improvement Project Fund** is a major fund for 2019

The City reports the following major proprietary funds:

**Wastewater Utility Fund** accounts for all activities of providing sewer services to residents and businesses of the City. This fund also provides for revenues and reserve dollars for maintenance & repair and expansion of the City's sewer system.

**Solid Waste Utility Fund** accounts for all activities of providing garbage collection and disposal services to the residents and businesses of the City.

**Surfacewater Utility Fund** accounts for the operation, construction and maintenance of the City's stormwater system.

Additionally, the government reports the following fund types:

**Internal Service Fund** accounts for the maintenance and replacement of the City owned vehicles and equipment.

**Managerial Funds** accounts for the activities of various funds who no longer meet the criteria to be categorized as an Agency fund, as per the implementation of GASB 84, *Managerial Funds*. These funds are rolled into the general fund on the financial statements. See the rollout in the RSI section.

### **Measurement Focus and 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 fund and fiduciary fund financial 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 be used to pay liabilities of the current period. For this purpose the City considers property tax revenue to be available if the revenues are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, fines, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement. Most of the

other revenue items are considered to be measurable and available only when cash is received by the government.

*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 are Wastewater Utility operations, Solid Waste Utility operations, and Surfacewater Utility operations. Operating expenses for the City's utilities include the cost of sales and services, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Budgetary Information**

The City budgets in accordance with the Revised Code of Washington (RCW) 35A.33. In compliance with the code, budgets for all funds are established, with the exception of non-required agency funds. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds as well as the Real Estate Excise Tax I, Real Estate Excise Tax II, and Impact Fees capital project budgets. Budgets for the Road Improvement and Downtown and Waterfront Area Funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of the projects.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriation amount. Appropriations for general, special revenue, debt services and capital project funds, except for the project-length capital projects lapse at year-end. The budget, as adopted, constitutes the legal authority for expenditures. Budgets are adopted according to GAAP.

The City's implementation of GASB 54 governmental fund type definition guidance (see note 13) has led to reclassifications of Parks, Library and the Lincoln Commercial Block funds (which have their own legally adopted budgets) from "other governmental special revenue funds" to "GASB 54 reclassified funds" (included in the General Fund for external accounting purposes), creating a budget perspective difference. A budget basis to GAAP-basis reconciliation for the General Fund is reported as "Required Supplementary Information."

The City of Mount Vernon's Budget process is as follows:

- a. Prior to November 1, the Mayor submits a proposed budget to the City Council. The budget is based on priorities established by the Council and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Finance Director.
- b. The Council conducts public hearings on the proposed budget in November.
- c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- d. Within 30 days of adoption, the final budget is available to the public.

The Mayor is authorized to transfer budgeted amounts within a fund; however, 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 City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund it may do so by ordinance.

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 all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### **Assets, Liabilities and Fund Balances / Net Position**

#### Cash, Cash Equivalents and Investments

It is the City's practice to invest temporary cash surpluses. At December 31, 2019, the City was holding \$8,597,042 in short-term residual investments of surplus cash. The City has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. These amounts are classified on the balance sheet or in the Statement of Net Position.

In accordance with GASB 79, money market investments and other investments with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

For additional information on deposits and investments see Note 3, "Deposits and Investments".

#### Receivables and Payables (Amounts owed/payable to/by the City at year-end)

*Taxes receivable* consists of property and sales taxes receivable and related interest and penalties (Refer to Note 4 for property tax disclosures).

*Accrued interest receivable* consists of amounts earned on investments at the end of the year.

*Accrued interest payable* consists of amounts owed on notes, loans, and contracts.

*Accounts receivable/payable* consists of amounts owed from/to private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. If the transaction is with another governmental unit, it is accounted for within "due to/from other governments".

Receivables have been reported net of estimated uncollectible accounts. Because property taxes and utility billings are considered liens on property, no estimated uncollectible amounts are established.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund loans receivable/payable. 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 9, "Interfund Receivable, Payable, and Transfers".

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term liabilities are reported in applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

#### Inventories/Prepaid Items

Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. A comparison to market value is not considered necessary. Inventories in proprietary funds are valued by the first in, first out-FIFO basis. No inventory is maintained in governmental funds. Prepaid items represent payments for goods/services to be used in future years. The cost is recorded as expenditure in the period in which they are actually consumed.

### Restricted Assets

Restricted assets include those monies reserved for revenue bond debt and loans with reserve covenants.

### Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. These assets generally result from expenditures in the governmental funds. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such 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 the effectiveness or efficiency of the asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as project construction is finalized. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. (See Note 5 "Capital Assets").

### Deferred Inflows/ Outflows of Resources

In addition to assets and liabilities, the Statement of Net Position and Proprietary Fund Statements report separate sections for deferred outflows/inflows of resources, related to GASB 68 Pension reporting and transportation impact fee credits. In the Governmental Fund Statements deferred inflows of resources include amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criterion (availability) has not been met, per GASB 63/65.

### Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime, and sick leave benefits as established by City ordinance or union agreement. Vacation is accrued monthly by employees at annual rates ranging from 10 to 25 days per year depending upon tenure and union contract. Sick leave accruals vary, depending upon union agreement. City policy and union contracts may provide for a payoff of sick leave in some instances. The value of accumulated vacation leave, compensatory time and sick leave payable upon separation is estimated to be \$1,590,911 for governmental funds and \$264,214 for proprietary enterprise funds.

### 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.

Pension information is also reported for the City-administered Firemen's Pension Fund.

### Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to

October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred, and are paid out of the General Fund. See Note 7.

#### Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. (See Note 10, "Long Term Liabilities")

#### Net Position and Fund Balances

For City policies/explanation of net position components, fund balance classification, flow assumptions and minimum fund balance policy see Note 13. "Net Position and Fund Balances".

### **NOTE 2: Compliance and Accountability**

There have been no material violations of finance-related legal or contractual provisions.

### **NOTE 3: Deposits and Investments**

#### **Deposits**

**Custodial Credit Risk** -In accordance with its investment policy, the City of Mount Vernon's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. Deposit balances over \$250,000 limit are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2019 the City held the following deposits and short-term investments operating within the parameters outlined in GASB 79, and qualifying to be reported at amortized cost: market rate savings account U.S. Bank \$1,701,310, interest bearing reserve with OPUS bank \$2,863,537 other OPUS non-interest bearing bank balances of \$1,867,343 and Local Government Investment Pool \$2,164,725. Petty cash totaled \$23,275.

#### **Investments**

**Custodial Credit Risk** - In accordance with the City investment policy, all securities are held by a third party custodian in the name of the City.

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at

amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0020, online at <http://www.tre.wa.gov>.

**Investments Measured at Fair Value** - The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

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

As of December 31, 2019 the City had the following investments measured at fair value:

Investments by Fair Value Level	12/31/2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)
Federal Agricultural Mortgage Corporation	\$ 999,341	\$	\$ 999,341	\$
Federal Farm Credit Bank	6,040,859		6,040,859	
Federal Home Loan Mortgage Corporation	6,058,157		6,058,157	
Federal National Mortgage Association	4,810,805		4,810,805	
Resolution FDG Corp Strip	1,054,836		1,054,836	
FICO Strips	1,997,371		1,977,371	
Total Investments by Fair Value Level	\$ 20,961,369		\$ 20,961,369	

**Interest Rate Risk** As a means of limiting its exposure to interest rate risk, the City diversifies its investment by security type and institution, and limits holdings in any one type of investment with any one issuer. While the City's investment policy allows a maximum investment maturity of 10 years, the City conservatively coordinates its investment maturities to closely match cash flow needs and internally restricts the maximum investment term to less than five years from the purchase date.

Investment Type	Fair Value	Investment Maturities		
		Less than 1 year	1 to 2 Years	3 to 4 years
Federal Agricultural Mortgage Corporation	\$ 999,341	\$	\$	\$ 999,341
Federal Farm Credit Bank	6,040,859	\$ 999,395	999,816	4,041,648
Federal Home Loan Mortgage Corporation	6,058,157	1,003,210	3,050,579	2,004,368
Federal National Mortgage Association	4,810,805	2,251,344	993,033	1,566,428
Resolution FDG Corp Strip	1,054,836		1,054,836	
FICO Strips	1,997,371		1,001,485	995,886
Local Government Investment Pool	2,164,725	2,164,725		
Total Investments by Fair Value Level	\$ 23,126,094	\$ 6,418,674	\$ 7,099,749	\$ 9,607,671

**Credit Risk** As required by state law and the City investment policy, all investments of the City's funds are obligations of the U.S. government, U.S. agency issues, Local Government Investment Pool, obligations of State and Municipal Governments, or certificates of deposit with Washington State banks and savings and loan institutions. While not specifically addressed in the City investment policy, the City only invests in securities which have, at the time of investment, an acceptably high credit rating of a nationally recognized rating agency. The City's investments in the obligations of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

**Concentration of Credit Risk** The City diversifies its investments by security type and institution. According to the City investment policy, with the exception of U.S. Treasury Securities and the Washington State Local Government Investment Pool, no more than 65% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City has several investments in government-sponsored enterprises which are not explicitly backed by the federal government and exceed 5% of the City's total investment portfolio fair value. At the end of 2019, the City's portfolio had the following concentration of securities in it: 29% Federal Farm Credit Bank, 29% Federal Home Loan Mortgage Corporation, 23% Federal National Mortgage Association, 1% Federal Agricultural Mortgage Corporation, 1% Resolution FCG Corp Strip, and 1% FICO Strips.

	Cash & Cash Equivalents	Restricted Cash & Cash Equivalents	Investments
General Fund	\$ 394,169	\$ 215,000	\$ 3,642,322
Other Government Funds	1,261,915		4,217,032
Waste Water Utility	1,622,309	\$ 2,156,475	7,161,475
Solid Waste Utility	620,809		1,163,828
Surface Water Utility	195,682		336,489
Internal Service Fund	2,123,312		4,440,223
<b>Statement of Net Position</b>	<b>\$6,218,096</b>	<b>\$ 2,371,475</b>	<b>20,961,369</b>
<b>Total Cash &amp; Investments</b>	<b>\$ 6,218,096</b>	<b>\$ 2,371,475</b>	<b>\$ 20,961,369</b>

**NOTE 4:  
Property Taxes**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at the end of each month.

**Property Tax Calendar**

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

Property taxes are recorded as a receivable when levied, offset by deferred inflows of resources. During the year, property tax revenues are recognized when cash is collected. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

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

- A. Pursuant to Washington State law in RCW 84.55.010 and 84.55.0101, taxing districts with a population over 10,000 may increase their levy by the change in implicit price deflator. With a finding of substantial need, and a majority plus one vote by the City Council, the levy may be increased up to 101% or less of the previous year unless an increase greater than this limit is approved by the voters at an election as provided in RCW 84.55.050.
- B. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 of \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

The City's regular levy for 2019 was \$2.2240 per \$1,000 of assessed value on an assessed valuation of \$3,798,837,221.

**NOTE 5:  
Capital Assets and Depreciation**

**General Policies**

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred.

The City has five sculptures capitalized as art. Art and historical treasures are expected to be maintained or enhanced over time and thus, are not depreciated.

Capital 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. Capital assets transferred between proprietary and governmental funds are valued at the lower of cost or acquisition value.

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable statements.

**Governmental Capital Assets**

Governmental long-lived assets that the City purchased, leased, or constructed are recorded as expenditures in the governmental funds and are capitalized, net of depreciation, in the government wide statements.

### Proprietary Fund Capital Assets

Capital assets of proprietary funds are capitalized in their respective statements of net position.

### Depreciation

Land, construction in progress, and works of art are not depreciated. Property, plant, infrastructure and equipment of the City are depreciation on the straight-line basis over the following useful lives.

Type of Asset	Number of Years
Bridges	50
Buildings and Structures	30
Other Improvements	10 – 30
Vehicles	4 – 25
Furniture and Equipment	5 – 10

### Summary of changes: Governmental Activities:

Description	1/1/2019	Increases	Decreases	Balance 12/31/2019
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	33,413,695	443,311		33,857,006
Construction Work in Progress	1,423,575	10,019,082	155,148	11,287,509
Art	131,872	14,469		146,341
<i>Total Capital Assets, Not Being Depreciated</i>	<u>34,969,142</u>	<u>10,476,862</u>	<u>155,148</u>	<u>45,290,856</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings	15,626,464	225,019		15,851,483
Improvements Other Than Buildings	34,282,629	998,550	531,038	34,750,141
Machinery and Equipment	18,924,159	1,615,634	107,384	20,432,409
Infrastructure	83,123,556	817,487	76,654	83,864,389
<i>Total Capital Assets, Being Depreciated</i>	<u>151,956,808</u>	<u>3,656,691</u>	<u>715,077</u>	<u>154,898,422</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	9,182,001	507,439		9,689,440
Improvements Other Than Buildings	3,845,866	1,087,519	311,717	4,621,668
Machinery and Equipment	11,688,181	1,332,491	104,383	12,916,289
Infrastructure	40,956,892	2,861,935	75,247	43,743,580
<i>Total Accumulated Depreciation</i>	<u>65,672,940</u>	<u>5,789,385</u>	<u>491,347</u>	<u>70,970,977</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>86,283,868</u>	<u>(2,132,694)</u>	<u>223,729</u>	<u>83,927,445</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>121,253,010</u>	<u>8,344,168</u>	<u>378,877</u>	<u>129,218,300</u>

### Depreciation charged to governmental type activity is as follows:

Governmental Activities:	Amount
General Government	\$ 939,359
Security of Person/Property	347,346
Physical Environment	132,296
Transportation, Including Infrastructure	2,909,907
Culture and Recreation	420,136
Internal Service Funds	1,040,340
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 5,789,385</u>

**Summary of changes: Business-Type Activities:**

<b>Description</b>	<b>1/1/2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2019</b>
<b>Business-Type Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	3,826,316	76,690		3,903,006
Construction Work in Progress	1,662,987	723,805	623,368	1,763,424
<i>Total Capital Assets, Not Being Depreciated</i>	5,489,303	800,495	623,368	5,666,430
<b>Capital Assets, Being Depreciated</b>				
Buildings	55,664,378	10,066		55,674,444
Improvements Other Than Buildings	79,090,369	1,809,387		80,899,756
Machinery and Equipment	1,319,962	481,914		1,801,876
<i>Total Capital Assets, Being Depreciated</i>	136,074,709	2,301,367	-	138,376,076
<b>Less Accumulated Depreciation for:</b>				
Buildings	25,540,750	1,743,800		27,284,550
Improvements Other Than Buildings	42,850,731	2,412,999		45,263,730
Machinery and Equipment	716,470	48,961		765,431
<i>Total Accumulated Depreciation</i>	69,107,951	4,205,760	-	73,313,711
<b>Total Capital Assets, Being Depreciated, Net</b>	66,966,758	(1,904,392)	-	65,062,366
<b>Business-Type Activities Capital Assets, Net</b>	72,456,061	(1,103,898)	623,368	70,728,797

**Depreciation charged to business-type activities is as follows:**

<b>Business-Type Activities</b>	<b>Amount</b>
Wastewater	\$ 3,549,271
Solid Waste	29,467
Surfacewater	627,023
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 4,205,760</b>

**NOTE 6:****Pension Plans**

For purposes of measuring 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.

The following table represents the aggregate pension amounts for all plans for the year 2019:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (3,419,068)
Pension assets	\$ 6,744,735
Deferred outflows of resources	\$ 1,641,380
Deferred inflows of resources	\$ (4,270,738)
Pension expense/expenditures	\$ 321,871

### **WA DRS State-Sponsored Pension Plans – PERS & LEOFF**

#### **PERS and LEOFF Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

#### **Public Employees' Retirement System (PERS)**

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of

Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### **Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>

The City's actual PERS plan contributions were \$476,068 to PERS Plan 1 and \$727,271 to PERS Plan 2/3 for the year ended December 31, 2019. Contributions made after the measurement date of the net pension liability but before year end will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current year.

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

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

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

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

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

#### **Contributions**

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### **Contributions**

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
LEOFF 2	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
July – December 2019		
LEOFF 2	5.15%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>

The City's actual contributions to the plan were \$509,799 for the year ended December 31, 2019. Contributions made after the measurement date of the net pension liability but before year end will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current year.

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, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$305,840.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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.

### **Change in Assumptions and Methods**

Actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods:

- For all active members in TRS, OSA increased the assumed salary growth for 2018 from 3.5 percent to 8.0 percent. This was done to reflect recent increases in state funding for basic education.
- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151L18). This law provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of \$62.5 per month.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent for all plans.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. ( All plans use 7.50% except LEOFF Plan 2, which has assumed 7.40%)

Consistent with the long-term expected rate of return, a 7.40% percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.40% 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 7.40 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

### **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, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

### Sensitivity of Net Pension Liability / (Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$3,244,757	\$ 2,591,000	\$ 2,023,780
PERS 2/3	\$6,350,948	\$ 828,067	\$ (3,703,821)
LEOFF 1	\$ (716,933)	\$ (876,390)	\$ (1,014,065)
LEOFF 2	\$ (1,091,173)	\$ (5,868,346)	\$ (9,767,612)

### Additional Information

Financial and pension plan information supporting the preparation of the "Schedules of Collective Pension Amounts" and "Schedules of Employer and Nonemployer Allocations" for the fiscal year ended June 30, 2019 is located on DRS' *Comprehensive Annual Financial Report* located on the DRS employer-resource GASB webpage.

For ease of use, the contribution and allocation percentages contained in the preceding "Schedules of Employer and Nonemployer Allocations" are available in Excel file *Unaudited Contribution Amounts and Allocation Percentages*. The file is displayed by DRS Employer Organization Identification number and is unaudited.

Supporting actuarial information for the implementation of GASB 67 and GASB 68 is included above.

Additional actuarial and pension plan information is included in the *DRS 2019 CAFR*, including descriptions of actuarial data, assumptions, methods and plan provisions relied on for the preparation of GASB 67 and GASB 68. Additional details regarding this information are included in OSA's *2018 Actuarial Valuation Report*.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the City reported a total pension liability of \$ 3,419,068 and a total pension asset of \$ 6,744,735 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 2,591,000
PERS 2/3	\$ 828,067
LEOFF 1	\$ (876,390)
LEOFF 2	\$ (5,868,346)

The amount of the liability/(asset) reported above for LEOFF Plan 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 liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	<b>LEOFF 1 Asset</b>	<b>LEOFF 2 Asset</b>
Employer's proportionate share	\$ (876,390)	\$ (5,868,346)
State's proportionate share of the net pension liability/(asset) associated with the employer	\$ (5,927,879)	\$ (3,842,298)
<b>TOTAL</b>	<b>\$ (6,804,269)</b>	<b>\$ (9,771,326)</b>

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

	<b>Proportionate Share 6/30/18</b>	<b>Proportionate Share 6/30/19</b>	<b>Change in Proportion</b>
PERS 1	.066797%	.067380%	.000583%
PERS 2/3	.083929%	.085250%	.001321%
LEOFF 1	.043584%	.044338%	.000754%
LEOFF 2	.232267%	.253307%	.002104%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

#### **Pension Expense**

For the year ended December 31, 2019, the City recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 149,588
PERS 2/3	\$ 154,230
LEOFF 1	\$ (58,506)
LEOFF 2	\$ 76,558
TOTAL	\$ 321,871

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

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (173,101)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 226,351	\$ -
<b>TOTAL</b>	<b>\$ 226,351</b>	<b>\$ (173,101)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 237,243	\$ (178,030)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ ( 1,205,329)
Changes of assumptions	\$ 21,204	\$ (347,429)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 38,670	\$ (7,304)
Contributions subsequent to the measurement date	\$ 373,596	\$ -
<b>TOTAL</b>	<b>\$ 670,714</b>	<b>\$ (1,738,092)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (90,855)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (90,855)</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 422,280	\$ (105,528)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,203,194)
Changes of assumptions	\$ 9,668	\$ (660,377)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 53,717	\$ (299,591)
Contributions subsequent to the measurement date	\$ 258,651	\$ -
<b>TOTAL</b>	<b>\$ 744,316</b>	<b>\$ (2,268,690)</b>

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 Yearly Amortization	PERS 2/3 Yearly Amortization	LEOFF 1 Yearly Amortization	LEOFF 2 Yearly Amortization
2020	\$ (38,213)	\$ (368,673)	\$ (21,103)	\$ (345,561)
2021	(90,515)	(612,869)	(46,513)	(634,164)
2022	(32,301)	(268,602)	(16,878)	(301,944)
2023	(12,071)	(141,082)	(6,361)	(171,016)
2024		(62,116)		(74,609)
Thereafter		12,368		(262,233)

#### WA State Board for Volunteer Fire Fighters State-Sponsored Pension Plan

##### Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 450 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan.

In addition, the State contributes 40 percent of the fire insurance premium tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (CAFR) of the State of Washington. The State CAFR may be downloaded from the Office of Financial Management (OFM) website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member’s fee on their behalf.

The contribution rates for 2019 were as follows:

VFFRPF		
	Firefighters	EMSD and Reserve Officers
Municipality fee	\$30	\$105
Member fee	\$30	\$30

The City actual contributions to the plan \$60 for the year ended December 31, 2019.

In accordance with Chapter 41.24 RCW, the State contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2019, the fire insurance premium tax contribution was \$7.6 million. The city received \$52,519 of this amount.

**Actuarial Assumptions**

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2018, and rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:** 2.50%
- **Salary increases:** N/A
- **Investment rate of return:** 7.0%

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2018 valuation report.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

#### **Discount Rate**

The discount rate used to measure the total VFFRPF pension liability was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included as assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the State will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

The long-term expected rate of return on the VFFRPF pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### **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, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

### Sensitivity of Net Pension Asset

The following presents the City's proportionate share of the VFFRPF net pension asset calculated using the discount rate of 7 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
VFFRPF	\$(13,150)	\$ (20,545)	\$ (26,567)

### Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan's fiduciary net position is available in the separately issued State of Washington CAFR.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported an asset of \$15,967 for its proportionate share of the VFFRPF plan's net pension asset. The City proportion of the net pension asset was based on actual contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2019, the City proportion was .03%.

The VFFRPF collective net pension asset was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended December 31, 2019, the City recognized pension expense of (\$7,244). Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

### City Administered Firemen's Pension Plan

#### Plan Description

The Firemen's Pension Plan (FPP) is a closed, single-employer defined benefit pension plan established in conformance with RCW Chapter 41.18 administered by the City of Mount Vernon through the Firemen's Pension Board. The Firemen's Pension Board consists of five members: Mayor, Finance Committee Chair Councilmember, Finance Director and two appointed LEOFF 1 members. The costs of administering the Plan are paid from the Firemen's Pension Fund. The plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Retirement benefit provisions are established in State statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established. The City's obligation under the Firemen's Pension fund consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the Firemen's Pension Fund for covered firefighters who retire after March 1, 1970.

Membership of the Firemen's Pension fund consisted of the following at January 1, 2019; the date of the latest actuarial valuation:

Inactive employees (or their beneficiaries) currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters Retirement Plan (LEOFF)	2
Inactive employees entitled to but not yet receiving benefits	0
Active plan members	0
Total	2

#### Summary of Significant Accounting Policies

The Fireman's Pension Fund was reported under GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* prior to the current year. Because of the implementation of GASB Statement No. 84 *Fiduciary Activities*, the Fireman's Pension Fund reporting was evaluated. It has never resided in a qualified trust, and therefore GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* is the appropriate reporting model for this plan.

The FPP is now a managerial fund reported within the general fund in the financial reports of the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The FPP operates under the City's investment policy and State statutes and participates in the pooled cash and investments of the City (see Note 4). All investments are recorded at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet. Securities without an established market are reported at estimated fair value. At December 31, 2019 the FPP's share of the City's pooled investments consisted of \$248,707 in U.S. Government Agency securities.

#### Funding Policy

Under State law, the Firemen's Pension Fund (FPF) is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and City contributions required to meet projected future pension obligations. The FPF has been used in prior years to liquidate the pension obligations. Neither member nor employer

contributions were made to the plan during the year as the actuary has determined that the current assets of the fund, along with future revenues from State fire insurance taxes and interest earnings, will be sufficient to pay the costs of administering the plan including all future Firemen's Pension Fund pension benefits.

The plan's population is down to two retirees. Neither of these retirees is expected to receive benefits paid by the city for several years, as the benefits calculated under LEOFF provisions exceed those calculated under FPF for both individuals. However, as these amounts continue to grow independently with CPI adjustments to LEOFF benefits and applicable salary increases for FPF benefits, Milliman projects that under current assumptions, the FPF benefit for one of the retirees will eventually become larger than LEOFF benefit and the city will need to re-start making pension benefit payments.

The total pension liability, as determined by an actuarial valuation as of January 1, 2019, was \$52,263. This liability was calculated by projecting future excess benefits, then discounting them back to January 1, 2019 using a 2.00% discount rate.

The TPL was calculated under one set of assumptions, and it is highly unlikely that actual experience will precisely match those assumptions. For example, both FPF and LEOFF amounts could grow faster or slower than anticipated, and due to the highly leveraged nature of the excess benefits, the TPL can vary greatly as benefit amounts change. However, given that the managerial fund's net position currently stands at 724% of TPL, we do not expect the liability to surpass the assets at any given time in the future.

Based on this last actuarial valuation, and the immateriality of the liability, the City has elected to no longer retain the actuarial services of Milliman, and will continue to report the last liability valuation of \$52,263, until such time the City will need to re-start making pension benefit payments. There are no assets accumulated in a qualifying trust.

The following table represents the aggregate pension amounts for the Fireman's Pension Fund:

<b>Aggregate Fireman's Pension Plan</b>	
FPF Liabilities	\$ (52,263)
FPF Assets	
Deferred Outflows of Resources	
Deferred Inflows of Resources	
FPF expenses/expenditures	\$

**NOTE 7:**

**Defined Benefit Other Postemployment Benefit (OPEB) Plans**

The City has elected to use the alternative method for calculating OPEB for the 2019 financial statements. The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2019:

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$ (8,133,543)
OPEB Assets	
Deferred Outflows of Resources	\$ 146,679
Deferred Inflows of Resources	
OPEB expenses/expenditures	\$ (650,385)

As required by the Revised Code of Washington (RCW) chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members' necessary hospital, medical and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees was provided by the City's employee medical insurance program, Association of Washington Cities Employee Benefit Trust (AWC). Under the authorization of the LEOFF Disability Board direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. A separate postemployment benefit plan report is not available.

#### Employees Covered by Benefit Terms

For the year 2019, there were no active employees covered and 16 inactive members participating. There were no inactive employees entitled to but not receiving benefits.

#### Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

#### Excise Tax

The federal Patient Protection and Affordable Care Act levies a 40 percent excise tax on employers for the value of health plan costs that exceed certain thresholds. Plans that exceed this threshold are considered high cost or "Cadillac" health plans. The excise tax impacts the medical inflation trend for these "Cadillac" plans. Medical trend, claims cost, and aging factors were determined by healthcare actuaries at Milliman. The medical inflation trend is the percent that medical costs are expected to increase in future years. The City opted to include the excise tax in the Office of State Actuary (OSA) 2018 actuary calculation for the OPEB obligation.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The City used the alternative measurement method permitted under GASB Statement No. 75. Health care trend rates were assumed to follow the LEOFF 1 rates used in the

OSA's 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report. GASB Statement No. 75 requires the discount rate to be based on a 20-year, tax-exempt, high-quality municipal bond rate. OSA relied on the Bond Buyer General Obligation 20-Bond Municipal Index to determine the discount rate for each measurement date. This resulted in a 3.87% discount rate for our beginning total OPEB liability, measured as of June 30, 2018 and 3.50% of our ending total OPEB liability, measured as of June 30, 2019.

GASB Statement No. 75 requires the valuation results to be prepared using the Entry Age Normal actuarial cost method. In the 2016 LEOFF 1 Medical Benefits AVR, OSA presented results using the Project Unity Credit actuarial cost method, an acceptable method under GASB Statements No. 43 and 45.

The actuarial valuation and measurement date was 6/30/2019, with the actuarial cost method based on entry age. The amortization method was recognized immediately and there was no asset valuation based on the fact that there are no assets in a qualifying trust.

Assumptions	
Discount Rate Beginning Measurement Year	3.87%
Discount Rate End of Measurement Year	3.50%
Medical Costs	Initial rate is approximately 6% /trends down to about 5% for 2020's
Long Term Care	4.5%
Medical Part B Premiums	Approximately 5%, varies by year
Base Mortality Rate	RP-2000 Mortality Table
Age Setback	Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational
Medicare Participation Rate	100%
	Assume 100% male population

The following represents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 6.8%, as well as what the OPEB liability would be if it were calculated using a rate that is 1% point lower (5.8%) or 1% higher (7.8%) than the current healthcare cost trend rate.

	<b>1% Decrease (5.8%)</b>	<b>Current Healthcare Rate (6.8%)</b>	<b>1% Increase (7.8%)</b>
Total OPEB Liability	\$ 7,275,036	\$ 8,133,543	\$ 9,134,107

The following represents the total OPEB liability of the City calculated using the current discount rate of 3.5%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.5%) or 1% higher (4.5%) than the current discount rate.

	<b>1% Decrease (2.5%)</b>	<b>Current Discount Rate (3.5%)</b>	<b>1% Increase (4.5%)</b>
Total OPEB Liability	\$ 9,203,970	\$ 8,133,543	\$ 7,237,166

Changes in total OPEB liability:

<b>Assumptions</b>	
Total OPEB Liability at 1/1/2019	\$ 10,077,146
Service Cost	None
Interest	\$ 295,045
Changes in Experience Data and Assumptions	\$ 355,340
Estimated Benefit Payments	\$ (278,857)
Total OPEB Liability at 12/31/2018	\$ 8,133,543
Medicare Participation Rate	100%

At December 31, 2019, The City reported a deferred outflows of resources for payments subsequent to the measurement date of \$146,679. This will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

**NOTE 8:****Construction and Other Significant Commitments**

At December 31, 2019 the City had contractual obligations on the following construction projects:

<b>Project Type</b>	<b>Spent To Date</b>	<b>Remaining Commitment</b>
Parks Department	\$ 645,753	\$ 145,880
Public Works/Transportation	\$ 12,927,698	\$ 1,010,525
Surface Water Utility	\$ 360,694	\$ 288,262
Wastewater Utility	\$ 1,272,893	\$ 180,281
<b>Total Contractual Commitments</b>	<b>\$ 15,207,038</b>	<b>\$ 1,624,948</b>

**NOTE 9:****Interfund Receivables and Loans, Payables, and Transfers****Interfund Receivables**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>1/1/2019</b>	<b>New Loans</b>	<b>Repayments</b>	<b>12/31/2019</b>
Internal Service Fund: Equipment Replacement	Street & Arterial Fund	\$68,091		\$68,091	\$0.00
Internal Service Fund Equipment Replacement	Parks Capital Reserve Fund	01/01/2019	\$366,123		\$366,123

The City authorized a loan not to exceed \$366,123 to provide financing for the purchase of property for the Parks Capital Reserve Fund. Repayment is based on a six year term at 2% interest. Annual payments will be in the amount of \$65,362.

**Due to/ From Other Funds:**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	College Way at I5 Improvement	\$ 469,528
General Fund	Other Non-Major Government Funds	\$1,497,027

The outstanding balances between funds resulted from the reclassification of credit balances in asset accounts.

**Interfund Transfers:**

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 263,000	\$ 124,000
Non-Major Government Funds	\$ 3,325,186	\$ 4,927,105
College Way I5 Improvement	\$1,980,104	
Wastewater Utility	\$ 1,315,000	\$1,515,000
Solid Waste Utility		\$ 100,000
Surfacewater Utility		\$ 600,000
Equipment Rental Fund	\$ 382,815	
Total Transfers	\$ 7,266,105	\$ 7,266,105

Non-eliminated transfers between Business-Type and Governmental Activities on the Statement of Activities consist of a \$900,000 transfer between the College Way I5 Improvement and Wastewater Utility.

Interfund transfers are used to:

- 1) Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due,
- 2) Move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts,
- 3) Move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.
- 4) Move residual fund balances from a capital project fund when project is completed to close the fund.

**NOTE 10:  
Long Term Liabilities**

**HUD Section 108 Loan**

A Section 108 Loan in the amount of \$1,000,000 was issued by the United States Department of Housing and Urban Development (HUD) to the City during 2014 for the Downtown and Waterfront Capital Project fund, Phase 2 construction.

Outstanding principal balance is being repaid from the City General Fund using HUD Community Development Block Grant (CDBG) Entitlement funds. The loan currently has an interest rate tied to the 3 month LIBOR rate plus 20 basis points.

Annual debt service requirements to maturity for Section 108 Loan is:

Year Ending December 31 Government Activities	Principal	Interest
2020	\$ 100,000	\$ 6,050
2021	\$ 100,000	\$ 4,150
2022	\$ 100,000	\$ 2,210
Total	\$ 300,000	\$ 12,410

#### Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Mount Vernon currently has four such loans outstanding. The total balance is \$7,821,921 and is being repaid from the Wastewater Utility Fund. One loan with an outstanding balance of \$230,000 is being repaid from the City's Capital Improvement Fund with Real Estate Excise Tax funds. All loans have a 20-year term and an interest rate of .5%.

Year Ending December 31	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 115,000	\$ 1,150	\$ 1,006,304	\$ 39,110
2021	\$ 115,000	\$ 575	\$ 1,006,304	\$ 34,078
2022			\$ 1,006,304	\$ 29,047
2023			\$ 1,006,304	\$ 24,015
2024			\$ 1,006,304	\$ 18,984
2025-2028			\$ 2,846,440	\$ 31,875
Total	230,000	1,725	\$ 7,877,960	\$177,109

#### Department of Ecology State Revolving Loan Fund (SRLF)

\$16,263,791 in loans was issued during 2007 to 2009 for the Wastewater Treatment Plant Upgrade having a 20-year term with an interest rate of 2.6%. Outstanding balance at December 31, 2019 is \$9,293,144.

Year Ending	Business-Type Activities	
	Principal	Interest
December 31		
2020	\$ 873,801	\$ 237,261
2021	\$ 896,793	\$ 214,269
2022	\$ 920,389	\$ 190,673
2023	\$ 944,606	\$ 166,455
2024	\$ 969,461	\$ 141,601
2025-2029	\$ 4,688,094	\$ 311,165
Total	\$9,293,144	\$1,261,944

Federal Arbitrage occurs when tax-exempt bond proceeds are invested in higher yielding taxable securities, resulting in a profit. The City does not have any applicability with Federal Arbitrage.

#### Other Payables

**Equipment Leases:** The City leases equipment under non-cancelable operating leases. Total costs for such leases were \$62,215 for the year ended December 31, 2019. The future minimum lease payments for these leases are as follows:

#### Government Activities

Year	Amount
2019	65,215
2020	53,038
2021	39,545
2022	19,847
2023	9,591
2024	5,587
	<u>192,824</u>

**Compensated Absences:** Compensated Absences are discussed in Note 1: Summary of Significant Accounting Policies. Governmental Funds that pay salary and benefits are the General Fund, Street Fund, Park Fund, Library Fund and Equipment Rental Fund. Enterprise Funds that pay salary and benefits are the Wastewater, Solid Waste and Surfacewater Utilities. These funds have been used to liquidate their respective liabilities in prior years.

### Changes in Long-Term Liabilities

Long term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Government Activities</b>					
PWFT Loan	\$ 345,000		115,000	230,000	\$ 115,000
Hud Section 108 Loan	400,000		100,000	300,000	100,000
Net Pension Liability	4,224,741	2,343,794	4,224,741	2,343,794	
Total OPEB Liability	10,077,146	8,133,543	10,077,146	8,133,543	
Compensated Absences	1,671,582	1,590,912	1,671,582	1,590,912	159,091
Asset Retirement Obligations	-	191,125		191,125	
Total Government Activities - Long-Term Liabilities	\$ 16,718,469	12,259,374	16,188,469	12,789,374	\$ 374,091
<b>Business-Type Activities</b>					
PWTF Loan	\$ 8,828,225		1,006,303	7,821,922	1,006,304
DOE Loan	10,144,543		851,399	9,293,144	873,801
Net Pension Liability	191,449	1,075,273	191,449	1,075,273	
Compensated Absence	256,958	264,213	256,958	264,213	26,421
Business-Type Activities Long-Term Liabilities	\$ 19,421,175	1,339,486	2,306,109	18,454,552	\$ 1,906,526

The City implemented GASB Statement No. 83 *Asset Retirement Obligations*, which resulted in the ARO liability of \$191,125 for the City's three underground fuel storage tanks. The Environmental Protection Agency as well as the Washington State Department of Ecology regulate and monitor underground storage tanks. Disposition requirements are found in WAC 173-360A-0810. The City of Mount Vernon carries storage tank pollution liability coverage on the tanks as required by the Department of Ecology with an aggregate policy limit of \$4,000,000. There are no assets restricted for the payment of the liability. Estimates were gathered from several different sources and probability factors applied those estimates. The life of the ARO is calculated at 40 years. The City applied the statement retroactively, which resulted in a prior period adjustment in the amount of \$138,566. See Note 14. The City considered the Waste Water facility as a possible additional ARO. With regular maintenance, the facility is expected to continue to grow with the City therefore we were unable to estimate the life of the asset to estimate an additional ARO.

The City's loans from direct borrowings related to governmental activities of \$530,000 are two-fold. HUD Section 108 Loan in the balance of \$300,000 is secured with the full faith and credit pledge as well as additional security shall be identified in the Contract for Loan Guarantee Assistance specified by 24 CFR 570.705(b)(1) as well as from Real Estate Excise Tax funds and general property tax revenues. In addition, in the event of a default, the lender may use existing pledged grants to assure payment of amount due. The PWFT Loan of \$230,000 has a termination event that changes the timing of repayment of outstanding amounts to be come immediately due in the event of a default. Also, delinquent payments will be assessed a penalty of 12% per annum calculated on a 360-day year.

The City's loans from direct borrowings related to Business-Type activities are also two-fold. The DOE Loan of \$9,293,144 secured by the full faith, credit, and resources of the City. The loan constitutes a lien on the

net revenues of the Utility. The PWTF Loan of \$7,821,992 contains a termination event that changes the timing of repayment of outstanding amounts to become immediately due in the event of a default. Also, delinquent payments will be assessed a penalty of 12% per annum calculated on a 360-day year.

**NOTE 11:**  
**Contingencies and Litigation**

**Litigation**

The City has recorded in its financial statements all material liabilities. In the opinion of management, the City's insurance policies, insurance reserves and/or operating fund reserves are adequate to pay all known or pending claims or litigation. As of December 31, 2019, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**Contingencies Under Grant Provisions**

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. The City's management believes that such disallowances, if any, will be immaterial.

**Other Contingencies**

There are a number of old landfill sites within the City limits. All of which have been closed for over 30 years. The City owns three sites, two of which were converted to parks. The requirement for post remediation monitoring of these sites is minimal. The City may incur some liability in the event contamination is discovered, however, there is no known litigation pending at this time. Therefore, the City has no accrued liabilities for landfills at this time. Additionally, the City has no material pollution remediation obligations as defined by GASB Statement No. 49.

**Bond Indentures**

The City is in compliance with all significant bond indenture and restrictions.

**NOTE 12:**  
**Risk Management**

The City of Mount Vernon manages loss risks through private insurance, risk pooling, self-insurance or risk retention. The various risk categories and coverages are described below. There have been no significant reductions or other coverage changes from the prior year. Furthermore, settlements did not exceed insurance coverage during any of the past three years.

**Property Loss/Hazards Coverage**

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; and natural disasters for which the government carries commercial insurance.

**Liability Coverage**

The City of Mount Vernon is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing

a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$25,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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 day to day operations of WCIA.

### **Unemployment Insurance**

The City retains the risk for the payment of state unemployment compensation and is invoiced for eligible former City employees quarterly by the state Department of Employment Security. Each year the City appropriates funds to meet the estimated obligation. The liability is not considered material and therefore not included in the financial statements.

### **Employee Healthcare**

The City of Mount Vernon provides employees with medical, dental and vision insurance. The City joined the Employers Health Coalition of Washington (EHCW) in 2016 to provide quality but affordable healthcare to its employees. EHCW is an independent, 501-C-6 non-profit coalition established to provide public employers with health care benefits. The EHCW is affiliated with the Employers Health Coalition of Ohio founded in 1983. EHCW currently represents over 250 organizations with 1.5 million members in 14 states. Through the membership in EHCW the City utilized the brokerage services of Alliant to establish agreements with Kaiser for provision of the City's health care plans.

Full time employees working at least 32 hours per week year round are eligible for healthcare insurance. The City offers two Premera healthcare plan options to its employees for enrollment; \$10 co-pay plan and a high deductible plan. The City pays monthly premiums to Premera/Blue Cross, who is responsible for payment of all covered claims for both plans.

The City covers 100% of the deductible for employees and their dependents enrolled in the high deductible plan (\$1,500 for individual employees and \$3,000 for families). The City utilized the services of BPAS through the EHCW to provide HRA/VEBA administration. Employees who are actively employed on December 31<sup>st</sup> of this year receive any unused deductible amount in the form of a HRA/VEBA contribution in April of the following year.

The City has continued its membership in the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP) for provision of dental and vision insurance coverage. AWC was created in an agreement to form a pooling arrangement 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.

Both the City and employees contribute to the cost of insurance premiums. City department healthcare contributions for 2018 totaled \$2,659,087 and employee contributions totaled \$216,296.

**NOTE 13:**

**Net Position and Fund Balances**

**Net Position**

The government-wide and business type fund financial statements utilize a net position presentation. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- 1. Net Investment in Capital Assets** is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt.  
The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Additionally, until the infrastructure assets are reported, infrastructure related debt would reduce the investment in other non-infrastructure capital assets.
- 2. Restricted Component of Net Position** represents liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
- 3. Unrestricted Component of Net Position** represents unrestricted liquid assets. The City's management may have plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expense or expenditures.

Restricted Net Positions in the Government-wide Statement of Net Position are as follows:

Fund	Amount
Criminal Justice Funds	56,397
Impact Fees	706,406
Public Safety Funds	<u>453,898</u>
Total Restricted for Public Safety	<u>1,216,701</u>
City Street and Arterials	1,195,412
Paths and Trails	101,526
REET I - Capital Improvements	667,820
Transportation Benefit District	<u>900,256</u>
Total Restricted for Streets and Transportation	<u>2,865,014</u>
Economic Development	7,794
Tourism Promotion	<u>183,051</u>
Total Restricted For Economic Environment	<u>190,845</u>
Total Restricted for Debt Service	<u>215,000</u>
Total Restricted Net Position	<u>4,487,560</u>

### Fund Balances

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. Fund balances of the governmental funds are classified as follows:

**Non-spendable Fund Balance** - amounts that cannot be spent because they are either not in spendable form (such as inventory), or legally or contractually required to remain intact (such as notes or interfund receivables).

**Restricted Fund Balance** - amounts constrained by external parties, constitutional provision, or enabling legislation. Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

**Committed Fund Balance** - amounts formally constrained by a government using its highest level of decision-making authority (City Council). The commitment of these funds can only be changed by the government taking the same formal action (ordinance) that imposed the constraint originally.

**Assigned Fund Balance** - amounts that are constrained by the City's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed, per City Policy adopted by Ordinance 3552:

"The City Council has the authority to assign amounts intended to be used for specific purposes. The City Council delegates to both the Mayor and the Finance Director the authority to assign amounts intended to be used for specific purposes, for the purpose of reporting these amounts in the annual financial statements. In this situation, the amounts cannot be spent without Council approval. In both situations, the assignment cannot exceed the available fund balance in any fund."

With the exception of the General Fund, this is the residual fund balance of the classification of all governmental funds with positive balances.

**Unassigned Fund Balance** - residual amounts that are otherwise not constrained at all will be reported in the general fund. These are technically available for any purpose. Only the General Fund can report a positive “unassigned fund balance”.

**Flow Assumption** - The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available; the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

**Minimum Fund Balance Policy** – The City of Mount Vernon’s Financial Management Policies state that the City shall maintain reserves in the General Fund of 15%, and in other Governmental Operating funds (Streets, Parks & Recreation, and Library) of 10%, of total operating budget, excluding identified one-time revenues. The City is in compliance with its minimum fund balance requirements as of December 31, 2019.

#### **NOTE 14:**

##### **Accounting Change**

In accordance with the implementation of GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, we have added note disclosures in Note 10.

In accordance with the implementation of GASB Statement No. 84 *Fiduciary Activities*, certain funds previously reported as Agency Funds no longer qualify and are rolled into the General Fund or the Parks & Enrichment Services Fund. The remaining Agency funds are now considered Custodial Funds. This resulted in a prior period adjustment in the General Fund of \$399,425.

In accordance with the implementation of GASB Statement No. 83 *Certain Asset Retirement Obligations*, we have reported a liability for estimated costs to retire our underground fuel storage tanks. The City has also reported the asset retirement obligations retroactively; resulting in a prior period adjustment of (\$138,566). See Note 10.

##### **Prior Period Adjustment**

As noted in the Accounting Change disclosure above, the governmental funds in the Statement of Net Position contains a prior period adjustment of \$260,859 resulting from a combination of accounting changes. Business-type funds’ prior period adjustment of \$223,112 is the result of a valuation correction on storm drainage assets as well as detention ponds assets.

#### **NOTE 15:**

##### **Subsequent Events**

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. On April 6, 2020, the Governor closed all public and private K-12 school buildings throughout the remainder of the 2019-20 school year. The school districts, however, continue to operate; educating students using continuous learning models. On March 23, 2020, the Governor issued a “Stay Home, Stay Healthy” order, which required every Washingtonian to stay home unless they need to pursue an essential activity, this banned all gatherings for social, spiritual and recreational purposes, and closed all business except essential businesses. Accordingly, the City of Mount Vernon followed prescribed guidelines. The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$ 4,979,982	\$ 4,979,982	\$ 4,985,743	\$ 5,761
Sales	7,600,000	7,600,000	7,768,604	168,604
Utility	4,295,000	4,295,000	3,980,370	(314,630)
Public safety pass-through sales	1,394,000	2,171,000	2,487,362	316,362
Other	2,289,000	1,512,000	1,525,627	13,627
Licenses and permits	1,478,200	1,478,200	1,191,128	(287,072)
Intergovernmental revenues	1,712,252	1,712,252	1,238,220	(474,032)
Charge for services	4,152,826	4,152,826	3,828,130	(324,696)
Fines and forfeitures	254,000	254,000	183,822	(70,178)
Investment income	336,100	147,000	217,678	70,678
Other revenue	9,238	198,338	146,965	(51,373)
Total Revenues	<u>28,500,598</u>	<u>28,500,598</u>	<u>27,553,649</u>	<u>(946,949)</u>
<b>EXPENDITURES</b>				
Current				
General government	5,607,346	6,360,499	5,965,487	395,012
Security of persons and property	19,346,387	18,938,387	19,229,413	(291,026)
Transportation	889,633	889,633	823,658	
Physical environment	2,095,644	1,920,644	1,915,240	5,404
Economic environment	581,643	181,643	178,928	2,715
Capital outlay	90,945	320,945	225,936	95,009
Debt service				
Principal	100,000	100,000	100,000	-
Interest and debt issue costs	12,000	12,000	10,718	1,282
Total Expenditures	<u>28,723,598</u>	<u>28,723,751</u>	<u>28,449,380</u>	<u>274,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(223,000)</u>	<u>(223,153)</u>	<u>(895,731)</u>	<u>(672,578)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	263,000	263,000	263,000	-
Transfers out	(40,000)	(39,847)	(40,000)	(153)
Sale of capital assets	-	-	29,917	29,917
Total other financing sources (uses)	<u>223,000</u>	<u>223,153</u>	<u>252,917</u>	<u>29,764</u>
Net change in fund balances	-	-	(642,814)	642,814
Fund Balances - January 1	-	-	4,919,466	4,919,466
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,276,648</u>	<u>\$ 4,276,644</u>

The accompanying notes to Required Supplementary Information (RSI) are an integral part of this statement

	Budget Basis - Perspective Difference										GAAP Basis
	General Fund Actual	Parks Actual	Library Actual	Arts Commission	Little Mountain	Parks Capital	Lincoln Commercial Actual	LEOFF I LT Care Actual	Fireman's Pension Fund	Agency Reclassified Funds	
<b>REVENUES</b>											
Taxes											
Property	\$4,985,743	\$1,486,160	\$1,329,850				\$ -	\$ -	\$ -	\$ -	\$7,801,753
Sales	7,768,604	-	-				-	-	-	-	7,768,604
Public safety pass-through sales	2,487,362	-	-				-	-	-	-	2,487,362
Other	5,505,997	-	-				-	52,519	-	-	5,558,516
Licenses and permits	1,191,128	-	-				-	-	-	-	1,191,128
Intergovernmental revenues	1,238,220	-	-				-	-	-	-	1,238,220
Charge for services	3,828,130	232,156	34,399				-	-	410,999	-	4,505,684
Fines and forfeitures	183,822	-	21,969				-	-	120,700	-	326,491
Investment income	217,678	-	-	54	762	124	2,735	6,149	641	4,857	233,000
Other revenue	146,965	307,808	28,087		40,078	156,985	63,356	-	-	-	743,279
Total Revenues	27,553,648	2,026,124	1,414,305	54	40,840	157,109	66,091	6,149	53,160	536,555	31,854,034
<b>EXPENDITURES</b>											
Current											
General government	5,965,487	-	-				-	-	-	-	5,965,487
Security of persons and property	19,229,413	-	-				-	6,300	137,789	-	19,391,952
Physical environment	1,915,240	-	-				-	-	-	-	1,915,240
Economic environment	178,928	-	-				-	-	364,664	-	543,592
Transportation	823,658	-	-				-	-	-	-	823,658
Culture and Recreation	225,936	1,950,526	1,202,898	4,879	132,329	32,387	16,920	-	-	-	3,207,610
Capital outlay	-	-	162,158			468,980	-	-	-	-	989,403
Debt service											
Principal	100,000	-	-				-	-	-	-	100,000
Interest and debt issue costs	10,718	-	-				-	-	-	-	10,718
Total Expenditures	28,449,379	1,950,526	1,365,056	4,879	132,329	501,367	16,920	6,300	502,453	32,947,659	
Excess (deficiency) of revenues over (under) expenditures	(895,731)	75,598	49,249	(4,825)	(91,489)	(344,258)	49,171	6,149	46,860	34,102	(1,093,625)
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceeds from sale of capital assets	29,917	-	-				-	10,000	-	-	29,917
Transfers in	263,000	38,000	-	5,000	(20,000)	25,000	(110,000)	-	(84,000)	-	172,000
Transfers out	(40,000)	(5,000)	-	-	(20,000)	(110,000)	(110,000)	-	(84,000)	-	(82,000)
Total other financing sources (uses)	252,917	33,000	-	5,000	(20,000)	25,000	(110,000)	10,000	(84,000)	-	119,917
Net change in fund balances	(642,814)	108,598	49,249	175	(111,489)	(319,258)	(60,829)	16,149	(37,140)	34,102	(973,708)
Fund Balances - January 1	4,919,466	175,965	200,170		120,368	32,995	190,799	424,928	378,635	48,474	6,464,116
Fund Balances - December 31	\$4,276,648	\$ 284,563	\$ 249,419	\$ 175	\$ 8,879	\$ (286,263)	\$ 129,970	\$441,077	\$341,495	\$ 82,576	\$5,490,408

The accompanying notes to Required Supplementary Information (RSI) are an integral part of this statement

**Pension Plans**

Washington State Department of Retirement Systems - PERS and LEOFF

## Schedule of City's proportionate share of state net pension liability as of June 30

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
<b>PERS 1</b>					
Portionate % of net pension liability (asset)	0.06738%	0.06680%	0.06653%	0.06682%	0.06852%
Portionate share of net pension liability (asset)	2,591,000	2,983,177	3,156,900	3,588,440	3,584,441
Covered payroll	9,605,463	8,783,524	8,306,278	7,949,271	7,769,236
Portionate share of NPL as a % of covered payroll	26.97%	33.96%	38.01%	45.14%	46.14%
Fiduciary net position (FNP)	5290192	5,128,258	4,987,701	4,761,861	5,178,955
Total pension liability (TPL)	7,881,192	8,111,435	8,144,601	8,350,301	8,763,396
FNP as a % of TPL	67.12%	63.22%	61.24%	57.03%	59.10%
<b>PERS 2/3</b>					
Portionate % of net pension liability (asset)	0.08525%	0.08393%	0.08392%	0.08399%	0.08683%
Portionate share of net pension liability (asset)	828,067	1,433,013	2,915,854	4,228,780	3,102,378
Covered payroll	9,527,850	8,707,613	8,235,074	7,883,157	7,703,024
Portionate share of NPL as a % of covered payroll	8.69%	16.46%	35.41%	53.64%	40.27%
Fiduciary net position (FNP)	36,258,383	32,468,200	29,373,024	25,602,051	25,624,349
Total pension liability (TPL)	37,086,450	33,901,213	32,288,878	29,830,831	28,726,727
FNP as a % of TPL	97.77%	95.77%	90.97%	85.82%	89.20%
<b>LEOFF 1</b>					
Portionate % of net pension liability (asset)	0.04434%	0.04358%	0.04437%	0.04549%	0.04169%
Portionate share of net pension liability (asset)	(876,390)	(791,268)	(673,115)	(468,667)	(502,505)
Covered payroll	-	-	-	-	-
Portionate share of NPL as a % of covered payroll	-	-	-	-	-
Fiduciary net position (FNP)	(2,673,066)	(2,572,647)	(2,544,997)	(2,443,154)	(2,339,096)
Total pension liability (TPL)	1,796,676	1,781,379	1,871,882	1,974,487	1,836,591
FNP as a % of TPL	-148.78%	-144.42%	-135.96%	-123.74%	-127.36%
<b>LEOFF 2</b>					
Portionate % of net pension liability (asset)	0.25331%	0.23227%	0.23037%	0.23895%	0.23670%
Portionate share of net pension liability (asset)	(5,868,346)	(4,715,526)	(3,196,720)	(1,389,817)	(2,432,823)
Covered payroll	9,789,057	7,685,708	7,219,692	7,250,317	6,920,917
Portionate share of NPL as a % of covered payroll	-59.95%	-61.35%	-44.28%	-19.17%	-35.15%
Fiduciary net position (FNP)	(36,067,029)	(30,207,605)	(27,128,075)	(24,398,481)	(23,274,124)
Total pension liability (TPL)	30,198,683	25,492,079	23,931,355	23,008,664	20,841,301
FNP as a % of TPL	-119.43%	-118.50%	-113.36%	-106.04%	-111.67%
<b>VFFRPF</b>					
Portionate % of net pension liability (asset)	0.03000%	0.04000%	0.01000%	0.04000%	0.05000%
Portionate share of net pension liability (asset)	20,545	23,211	(5,200)	(6,777)	(9,589)
Covered payroll	-	-	-	-	-
Portionate share of NPL as a % of covered payroll	0%	0%	0%	0%	0%
Fiduciary net position (FNP)					
Total pension liability (TPL)					
FNP as a % of TPL					

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

**Pension Plans**

Washington State Department of Retirement Systems - PERS and LEOFF

## Schedule of contributions for the year ended December 31

Plan	Year	Statutorially required contributions	Actual contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
PERS 1	2015	341,255	341,255	-	7,767,448	4.39%
	2016	391,350	391,350	-	8,117,079	4.82%
	2017	425,932	425,932	-	8,585,367	4.96%
	2018	446,486	446,486	-	8,783,524	5.08%
	2019	476,068	476,068	-	9,605,463	4.96%
PERS 2/3	2015	437,170	437,170	-	7,701,686	5.68%
	2016	501,530	501,530	-	8,049,715	6.23%
	2017	584,599	584,599	-	8,511,117	6.87%
	2018	647,605	647,605	-	8,707,613	7.44%
	2019	727,271	727,271	-	9,527,850	7.63%
LEOFF 1	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
	2018	-	-	-	-	0.00%
	2019	-	-	-	-	0.00%
LEOFF 2	2015	371,121	371,121	-	7,095,977	5.23%
	2016	377,529	377,529	-	7,218,503	5.23%
	2017	395,594	395,594	-	7,418,072	5.33%
	2018	402,773	402,773	-	7,685,708	5.24%
	2019	509,799	509,779	-	9,789,057	5.21%
VFFRPF	2015	120	120	-	-	0.00%
	2016	90	90	-	-	0.00%
	2017	90	90	-	-	0.00%
	2018	90	90	-	-	0.00%
	2019	90	90	-	-	0.00%

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

**Pension Plans**

## Firefighters' Pension Fund

## Schedule of Changes in Total Pension Liability and Related Ratios for the year ended December 31

	2019	2018	2017	2016	2015
Total pension liability - beginning	96,000	124,000	133,000	97,000	106,000
Service cost					
Interest		2,000	3,000	2,000	2,000
Changes in benefit terms		(4,000)	(12,000)	(10,000)	(11,000)
Differences between expected and actual experience					-
Changes in assumptions		(26,000)			-
Other changes	(43,737)			44,000	-
Net change in total pension liability	(43,737)	(28,000)	(9,000)	36,000	(9,000)
Total pension liability - ending	52,263	96,000	124,000	133,000	97,000

\* Until a full 10-year trend is compiled, only information for those years available is presented  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68.

**OPEB**

## LEOFF 1 Retiree Medical Benefits

## Schedule of Changes in Total OPEB Liability and Related Ratios for the Year Ended December 31

	2018	2019	2020	2021	2022
Total OPEB liability - beginning	10,427,219	10,077,146			
Service cost					
Interest	367,095	295,045			
Changes in benefit terms					
Differences between expected and actual experience		355,340			
Changes in assumptions	(367,780)				
Benefit payments	(349,388)	(278,857)			
Other changes		(2,315,131)			
Total OPEB pension liability - ending	10,077,146	8,133,543	-	-	-

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****Budgetary Reporting**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement (GASBS) No. 41 for governments with significant budgetary perspective differences.

The perspective differences are related to the Parks, Library, and Lincoln Commercial Block other governmental special revenue funds which have their own legally adopted budgets, but do not qualify as special revenue funds per GASBS 54 and are included in the General Fund for external accounting purposes. Additionally, the LEOFF 1 LT Care Reserve Fund, formerly a sub-fund of the closed Employee Healthcare internal service fund, with a separate legally adopted budget, is included in the General Fund for external accounting purposes.

The Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual for the City General Fund presents the adopted General Fund budget information, and provides a budget-basis to GAAP basis reconciliation for the General Fund showing the separately budgeted GASB 54 Reclassified Funds that are included in General Fund for external reporting purposes.

**Budgets and Budgetary Accounting Policies**

The City budgets in accordance with the Revised Code of Washington (RCW) 35A.33. In compliance with the code, budgets are established with the exception of agency funds. Legal budgetary control is established at the fund level, i.e. expenditures for a fund may not exceed the total appropriation amount. The Mayor may authorize transfers of appropriations within a fund, but the City Council must approve by ordinance any increase or decrease in the total fund appropriations. Appropriations for general, special revenue, debt services and capital project funds, except for the project-length capital projects lapse at year-end.

The budget, as adopted, constitutes the legal authority for expenditures. Budgets are adopted/reported according to GAAP. Annual appropriated budgets are adopted for the general, special revenue, debt service, pension trust funds and the Real Estate Excise Tax I, Real Estate Excise Tax II, and Impact Fees Funds capital projects budgets. Budgets for the Road Improvement, Downtown and Waterfront Area, and Park/Other Improvement capital project funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of the project.

*Procedures for Adopting the Original Budget*

The City of Mount Vernon's budget process is as follows:

- a. Prior to November 1, the Mayor submits a proposed budget to the City Council. The budget is based on priorities established by the Council and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Finance Director.
- b. The Council conducts public hearings on the proposed budget in November.
- c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- d. Within 30 days of adoption, the final budget is available to the public.

*Amending the Budget*

The Mayor is authorized to transfer budgeted amounts within any fund including between departments in any fund; however, any revisions that alter the total expenditures, including interfund transfers, 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 City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance.

### **GASB 54 Reclassified Funds**

These governmental funds have their own legally adopted budgets, but do not qualify as special revenue funds per GASB 54, and are included in the City General Fund for external accounting purposes.

#### PARK FUNDS

The Parks Department is responsible for the maintenance of park grounds, rights of way, street trees, open space and the grounds surrounding City owned buildings and structures. The Parks Department also runs recreational programs which are revenue generating. The Park funds also receive monies from grants and property tax revenues, as well as miscellaneous leases and facility rentals. Park Funds are as follows: Park, Little Mountain Improvement, and Parks Capital Reserve.

#### LIBRARY FUND

The Library Department operates the City's large collection of books and provides cardholders with access to the internet. The Library also sponsors programs. The Library Board manages the Library budget as provided by state statute. The Library receives a portion of property tax revenues, charges for services as well as fines and forfeitures.

#### LINCOLN COMMERCIAL BLOCK FUND

The Lincoln Commercial Block Fund owns and leases space in the historic Lincoln Theatre and provides for capital improvements to that building. The primary revenue source is facility rental fees.

#### LEOFF I LONG-TERM CARE RESERVE FUND

The LEOFF I Long-Term Care Reserve Fund accounts for General Fund transfers into a reserve designated for LEOFF I retiree long-term care other post-employment benefits (OPEB).

The following funds have been reclassified as Managerial Funds in the General Fund based on the reclassification requirements per GASB Statement No. 84, *Fiduciary Funds*. As such, they did not have a 2019 budget and are presented in the aggregate.

#### HILLCREST DEPOSIT ACCOUNT FUND

The Hillcrest Deposit Account Fund accounts for damage deposits received at the time park facilities are reserved for use. Deposits are returned after facility use if no damage occurs.

#### DEVELOPER DEPOSITS FUND

The Developer Deposits Fund accounts for funds deposited by developers, to be applied toward plat inspection services as incurred.

#### COURT ASSESSMENTS AND BAIL FUND

The Court Assessments and Bail Fund account for court assessments and bail collected by the City Police Department and Municipal Court as agents for the state and other jurisdictions.

MISCELLANEOUS SUSPENSE FUND

The Miscellaneous Suspense Fund accounts for funds collected for and subsequently transmitted to another governmental agency.

HOSPITAL PARKING FACILITY FUND

The Hospital Parking Facility Fund accounts for dedicated sales taxes collected by the City and held for disbursement to Skagit County Public Hospital District No. 1 for construction of a parking facility.

MOUNT VERNON SCHOOL IMPACT FEES FUND

The Mount Vernon School Impact Fees Fund accounts for school impact fees collected from developers and subsequently transmitted to the county in care of the Mount Vernon School.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PARK FUNDS\*

For the Year Ended December 31, 2019

	<u>Original Budget 2019</u>	<u>Final Budget 2019</u>	<u>Actual 2019</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,540,285	1,540,285	1,486,160	\$ (54,125)
Charge for services	243,246	243,246	232,156	(11,090)
Investment income			886	886
Other revenue	<u>1,372,850</u>	<u>1,372,850</u>	<u>504,871</u>	<u>(867,979)</u>
Total Revenues	<u>3,156,381</u>	<u>3,156,381</u>	<u>2,224,073</u>	<u>(932,308)</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property				-
Culture and recreation	2,089,780	2,089,780	1,982,912	106,868
Capital outlay	<u>1,125,750</u>	<u>1,367,750</u>	<u>601,309</u>	<u>766,441</u>
Total Expenditures	<u>3,215,530</u>	<u>3,457,530</u>	<u>2,584,221</u>	<u>873,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,149)</u>	<u>(301,149)</u>	<u>(360,148)</u>	<u>(58,999)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	238,000	238,000	63,000	(175,000)
Transfers out	<u>(29,000)</u>	<u>(34,000)</u>	<u>(25,000)</u>	<u>9,000</u>
Total other financing sources (uses)	<u>209,000</u>	<u>204,000</u>	<u>38,000</u>	<u>(166,000)</u>
Net change in fund balances	149,851	(97,149)	(322,148)	(224,999)
Fund Balances - January 1	<u>(149,851)</u>	<u>97,149</u>	<u>329,328</u>	<u>232,179</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,181</u>	<u>\$ 7,180</u>

\* Budgeted Special Revenue Fund, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ARTS COMMISSION\*  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$			\$ -
Charge for services				-
Investment income			54	54
Other revenue				-
Total Revenues	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property				-
Culture and recreation			4,879	(4,879)
Capital outlay		20,800		20,800
Total Expenditures	<u>-</u>	<u>20,800</u>	<u>4,879</u>	<u>15,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(20,800)</u>	<u>(4,825)</u>	<u>15,975</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			5,000	5,000
Transfers out				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net change in fund balances	-	(20,800)	175	20,975
Fund Balances - January 1		20,800		(20,800)
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 175</u>

\* Budgeted Special Revenue Fund, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
LIBRARY FUND\*

For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,290,474	1,290,474	1,329,850	\$ 39,376
Intergovernmental revenues				-
Charge for services	28,500	28,500	34,399	5,899
Fines and forfeitures	27,800	27,800	21,969	(5,831)
Investment income				-
Other revenue	34,000	34,000	28,087	(5,913)
Total Revenues	<u>1,380,774</u>	<u>1,380,774</u>	<u>1,414,305</u>	<u>33,531</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	1,250,141	1,250,141	1,202,898	47,243
Capital outlay	165,785	165,785	162,158	3,627
Total Expenditures	<u>1,415,926</u>	<u>1,415,926</u>	<u>1,365,056</u>	<u>50,870</u>
Excess (deficiency) of revenues over (under) expenditures	(35,152)	(35,152)	49,249	84,401
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(35,152)	(35,152)	49,249	84,401
Fund Balances - January 1	<u>35,152</u>	<u>35,152</u>	<u>200,170</u>	<u>165,018</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,419</u>	<u>\$ 249,419</u>

\* Budgeted Special Revenue Fund, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
LINCOLN COMMERCIAL BLOCK FUND\*  
For the Year Ended December 31, 2019

	Original Budget 2018	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Other revenue	\$ 68,000	68,000	66,091	\$ (1,909)
Total Revenues	<u>68,000</u>	<u>68,000</u>	<u>66,091</u>	<u>(1,909)</u>
<b>EXPENDITURES</b>				
Current:				
Physical environment	25,149	25,149	16,920	8,229
Capital outlay	-	-	-	-
Total Expenditures	<u>25,149</u>	<u>25,149</u>	<u>16,920</u>	<u>8,229</u>
Excess (deficiency) of revenues over (under) expenditures	42,851	42,851	49,171	6,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(110,000)	(110,000)	(110,000)	-
Total other financing sources (uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balances	(67,149)	(67,149)	(60,829)	6,320
Fund Balances - January 1	<u>67,149</u>	<u>67,149</u>	<u>190,799</u>	<u>123,650</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,970</u>	<u>\$ 129,970</u>

\* Budgeted Special Revenue Fund, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 LEOFF 1 LONG-TERM CARE RESERVE FUND\*  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Investment income	\$ 2,800	2,800	6,149	\$ 3,349
Total Revenues	<u>2,800</u>	<u>2,800</u>	<u>6,149</u>	<u>3,349</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	40,000	40,000	-	40,000
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Excess (deficiency) of revenues over (under) expenditures	(37,200)	(37,200)	6,149	43,349
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	-
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	(27,200)	(27,200)	16,149	43,349
Fund Balances - January 1	<u>27,200</u>	<u>27,200</u>	<u>424,928</u>	<u>397,728</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,077</u>	<u>\$ 441,077</u>

\* Budgeted Special Revenue Fund, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 RECLASSIFIED MANAGERIAL FUNDS\*  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2018	Actual 2018	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Investment income	\$ 3,000	3,000	5,498	\$ 2,498
Other revenue	36,436	36,436	584,217	547,781
Total Revenues	<u>39,436</u>	<u>39,436</u>	<u>589,715</u>	<u>550,279</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	27,000	27,000	144,089	(117,089)
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	365,115	(365,115)
Culture and recreation	-	-	-	-
Total Expenditures	<u>27,000</u>	<u>27,000</u>	<u>509,204</u>	<u>(482,204)</u>
Excess (deficiency) of revenues over (under) expenditures	12,436	12,436	80,511	68,075
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			-	-
Transfers out	(84,000)	(84,000)	(84,000)	-
Total other financing sources (uses)	<u>(84,000)</u>	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Net change in fund balances	(71,564)	(71,564)	(3,489)	68,075
Fund Balances - January 1	<u>71,564</u>	<u>71,564</u>	<u>389,425</u>	<u>317,861</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,936</u>	<u>\$ 385,936</u>

\* Non-Budgeted and non-budgeted reclassified funds, included in the City's General Fund for external accounting purposes per GASB 54 governmental fund type definitions. Refer to Required Supplementary Information.

**Major Governmental Capital Project Fund**

Capital project funds account for resources set aside to acquire or construct major capital projects except those financed by proprietary funds. Capital projects that span more than one year have separately established funds in which the budgets are project-length and do not lapse at the end of the fiscal year.

**COLLEGE WAY AT I-5 IMPROVEMENT PROJECT**

Fund used to construct an additional westbound travel lane and an additional east-bound travel lane beneath the I-5 overpass at College Way. The additional lanes will improve vehicle capacity at the interchange.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 COLLEGE WAY AT I-5 IMPROVEMENT PROJECT  
 From Inception and for the Year Ended December 31, 2019

	Prior Years	Current Year	Total to Date	Project Authorization
<b>REVENUES</b>				
Intergovernmental revenues	\$	\$ 5,477,947	\$ 5,477,947	\$ 7,319,319
Charge for services			-	-
Investment income			-	
Other revenue			-	
Total Revenues	<u>-</u>	<u>5,477,947</u>	<u>5,477,947</u>	<u>7,319,319</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay:		7,154,138	7,154,138	8,619,319
Total Expenditures	<u>-</u>	<u>7,154,138</u>	<u>7,154,138</u>	<u>8,619,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,676,191)</u>	<u>(1,676,191)</u>	<u>(1,300,000)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,980,104	1,980,104	1,300,000
Total other financing sources (uses)	<u>-</u>	<u>1,980,104</u>	<u>1,980,104</u>	<u>1,300,000</u>
Net change in fund balances	-	303,913	303,913	-
Fund Balances - Beginning	<u>-</u>	<u>111,548</u>	<u>111,548</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 415,461</u>	<u>\$ 415,461</u>	<u>\$ -</u>

## Other Governmental Funds

### Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed to expenditure for particular purposes.

#### CITY STREET AND ARTERIAL FUNDS

The Public Works Street Department is responsible for evaluating, maintaining and repairing all roadways, traffic control devices, drainage systems, sidewalks and roadsides along with maintaining and improving designated arterial streets. The Division is also responsible for street cleaning, snow and ice removal, and removing road debris from traffic lanes. The City Street Fund receives funds from restricted motor vehicle fuel taxes and Transportation Benefit District Fund sales taxes. The City Arterial Street fund is used for small transportation capital projects funded by intergovernmental grants and other City fund contributions.

#### PATHS & TRAILS FUND

The Parks Department is responsible for the development and maintenance of paths and trails within the City. The Paths & Trails Fund accumulates funds from restricted motor vehicle fuel tax revenues.

#### TRANSPORTATION BENEFIT DISTRICT FUND

The Transportation Benefit District Fund was created by voter approval and accounts for the .2% sales tax revenue that is collected for the purpose of funding transportation improvements, street preservation and maintenance, and other improvement projects further identified in the City's six-year capital improvement plan and transportation element of the comprehensive plan.

#### TOURISM PROMOTION FUND

The Tourism Promotion Fund accounts for expenditures of the restricted hotel/motel tax collections authorized by state statute. Tourism Promotion provides financial support for advertising to organizations sponsoring events and venues.

#### CRIMINAL JUSTICE FUNDS

The Criminal Prevention Fund accounts for asset forfeiture funds and public donations to support the police department's crime prevention programs. The Criminal Justice Assistance Fund accounts for restricted monies distributed by the state general fund to support local law enforcement.

#### OTHER SPECIAL REVENUE FUNDS

The Government Access Fund accounts for Council committed cable franchise revenues, equal to \$1 per month per cable subscriber that is used for the purchase of capital equipment necessary to operate a Public Education Government cable access channel.

The Fiber Optics Fund accounts for the collection of Council committed receipts associated with the City's fiber optic system and related expenditures for maintenance, operation and repairs.

The Critical Areas Enhancement Fund accounts for the collection of receipts associated with the Council adopted Critical Areas Enhancement Program and program related expenditures.

**Debt Service Funds**

Debt service funds account for the accumulation of resources for the payment of general obligation and special assessment debts.

**GENERAL OBLIGATION BOND FUND**

The Unlimited Tax General Obligation (UTGO) Refunding Bond 2009 Fund accumulates property taxes for the payment of principal and interest on the refunded 1998 UTGO voted general obligation bonds issued for the construction of the Public Safety Facility and refunded portion of UTGO Bond 1994. The Refunding Bonds were fully paid off in 2017.

**LIMITED GENERAL OBLIGATION BOND FUND**

The Limited Tax General Obligation (LTGO) Refunding Bond 2009 Fund accumulates monies transferred from Real Estate Excise Fund for payment of principal and interest on the refunded 1998 LTGO councilmanic bonds issued to finance a portion of the Public Safety Facility. The Refunding Bonds were fully paid off in 2017.

### **Capital Projects Funds**

Capital projects funds account for resources set aside to acquire or construct major capital projects except those financed by proprietary funds. Capital projects that span more than one year have separately established funds in which the budgets are project-length and do not lapse at the end of the fiscal year.

#### REET I – CAPITAL IMPROVEMENT FUND

REET I Capital Improvement Fund accounts for funds received from the real estate excise tax proceeds that have been dedicated to capital improvements.

#### REET II - STREETS FUND

REET II Streets Fund accounts for funds received from the real estate excise tax proceeds that have been dedicated to street improvements.

#### IMPACT FEES FUNDS

Park Impact Fee Fund, Fire Impact Fee Fund, and Transportation Impact Fee Fund compose the Impact Fees Funds. These Funds account for monies collected from new construction to be used for capital improvements to the departments the funds are named for.

#### ROAD IMPROVEMENT FUNDS

Road Improvement Funds account for monies collected and expended for capital expenditures on roadway improvements. The funds are the College Way at Interstate-5 Lane Capacity Improvement Fund and the Public Works Facility (City Shop) Capital Project Fund.

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

	Special Revenue Funds			
	Street & Arterial Funds	Paths & Trails Fund	Transportation Benefit District	Tourism Promotion Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 149,725	\$ 36,384	\$ -	\$ 68,808
Investments	418,079	65,142	1,079,222	131,226
Receivables:				
Accounts	24,464	-	-	-
Interest	-	-	-	513
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	942,400	-	-	-
Prepaid items	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 1,534,667</u></b>	<b><u>\$ 101,526</u></b>	<b><u>\$ 1,079,222</u></b>	<b><u>\$ 200,547</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 72,706	\$ -	\$ 0	\$ 17,496
Employee wages/benefits payable	48,095	-	-	-
Due to other funds	-	-	458,332	-
Interfund loans payable	-	-	-	-
<b>Total Liabilities</b>	<b><u>120,801</u></b>	<b><u>-</u></b>	<b><u>458,332</u></b>	<b><u>17,496</u></b>
Deferred Inflows of Resources	-	-	350,000	-
<b>Fund Balances:</b>				
Non-spendable - prepaid items	-	-	-	-
Restricted for:				
Streets and arterials	1,195,412	-	-	-
Path & trails	-	101,526	-	-
Transportation benefit district improvements	-	-	270,890	-
Tourism promotion	-	-	-	183,051
Criminal justice	-	-	-	-
Debt service	-	-	-	-
Economic Development	-	-	-	-
REET I capital improvements	-	-	-	-
REET II street improvements	-	-	-	-
Impact Fees	-	-	-	-
Fire Station Improvements	-	-	-	-
Road improvements	-	-	-	-
Committed to:				
Government Access	-	-	-	-
Fiber Optics	-	-	-	-
Critical Areas Enhancement	-	-	-	-
Assigned:				
Streets and arterials	218,455	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b><u>1,413,867</u></b>	<b><u>101,526</u></b>	<b><u>270,890</u></b>	<b><u>183,051</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,534,667</u></b>	<b><u>\$ 101,526</u></b>	<b><u>\$ 1,079,222</u></b>	<b><u>\$ 200,547</u></b>

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

Special Revenue Funds			Capital Project Funds		
Criminal Justice Funds	Other Special Revenue Funds	Total	Library Community Parking	Fire Station Fund	Total
\$ 20,712	\$ 225,399	\$ 501,028	\$ 269,093	\$ 41,355	\$ 310,448
37,893	433,602	2,165,164	529,424	78,475	607,899
-	47,339	71,803	-	-	-
295	825	1,633	587	343	930
-	-	-	-	-	-
-	-	-	-	-	-
-	-	942,400	-	-	-
-	-	-	-	-	-
<u>\$ 58,900</u>	<u>\$ 707,166</u>	<u>\$ 3,682,028</u>	<u>\$ 799,104</u>	<u>\$ 120,173</u>	<u>\$ 919,277</u>
\$ 2,503	\$ 10,897	\$ 103,602	\$ -	\$ -	\$ -
-	5,480	53,575	-	-	-
-	-	458,332	-	-	-
-	-	-	-	-	-
<u>2,503</u>	<u>16,376</u>	<u>615,509</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	350,000	-	-	-
-	-	-	-	-	-
-	-	1,195,412	-	-	-
-	-	101,526	-	-	-
-	-	270,890	-	-	-
-	-	183,051	-	-	-
56,397	-	56,397	-	-	-
-	-	-	-	-	-
-	-	-	799,104	-	799,104
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	120,173	120,173
-	-	-	-	-	-
-	310,591	310,591	-	-	-
-	262,871	262,871	-	-	-
-	117,326	117,326	-	-	-
-	-	218,455	-	-	-
<u>56,398</u>	<u>690,790</u>	<u>2,716,520</u>	<u>799,104</u>	<u>120,173</u>	<u>919,277</u>
<u>\$ 58,900</u>	<u>\$ 707,166</u>	<u>\$ 3,682,028</u>	<u>\$ 799,104</u>	<u>\$ 120,173</u>	<u>\$ 919,277</u>

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

	Capital Project Funds		
	REET I - Cap Impr Fund	REET II - Streets Fund	Impact Fees Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 232,151	\$ 0	\$ 145,564
Investments	433,266	0	869,878
Receivables:			
Accounts	-	-	-
Interest	2,558	871	2,589
Special assessments	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
<b>Total Assets</b>	<b>\$ 667,975</b>	<b>\$ 871</b>	<b>\$ 1,018,031</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 154	\$ -	\$ (222)
Employee wages/benefits payable	-	-	-
Due to other funds	-	182,196	311,847
Interfund loans payable	-	-	-
<b>Total Liabilities</b>	<b>154</b>	<b>182,196</b>	<b>311,625</b>
Deferred Inflows of Resources	-	-	-
Fund Balances:			
Non-spendable - prepaid items	-	-	-
Restricted for:			
Streets and arterials	-	-	-
Path & trails	-	-	-
Transportation benefit district improvements	-	-	-
Tourism promotion	-	-	-
Criminal justice	-	-	-
Debt service	-	-	-
Economic Development	-	-	-
REET I capital improvements	667,820	-	-
REET II street improvements	-	0	-
Impact Fees	-	-	706,406
Fire Station Improvements	-	-	-
Road improvements	-	-	-
Committed to:			
Government Access	-	-	-
Fiber Optics	-	-	-
Critical Areas Enhancement	-	-	-
Assigned:			
Streets and arterials	-	-	-
Unassigned	-	(181,325)	-
<b>Total Fund Balances</b>	<b>667,820</b>	<b>(181,325)</b>	<b>706,406</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 667,975</b>	<b>\$ 871</b>	<b>\$ 1,018,031</b>

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

	Downtown & Waterfront Fund	Road Improvement Funds	Total	Total Other Government Funds
\$	-	\$ 72,724	\$ 450,439	\$ 1,261,913
	-	140,825	1,443,969	4,217,031
	-	-	-	0
	-	-	-	71,803
	-	356	6,374	8,937
	-	-	-	0
	-	-	-	0
	-	-	-	942,400
	-	-	-	0
\$	<u>-</u>	<u>213,905</u>	<u>1,900,782</u>	<u>\$ 6,502,085</u>
\$	185,819	\$ -	\$ 185,751	\$ 289,353
	-	-	-	53,575
	544,652	-	1,038,695	1,497,026
	-	-	-	0
	<u>730,471</u>	<u>-</u>	<u>1,224,446</u>	<u>1,839,954</u>
	-	-	-	350,000
	-	-	-	-
	-	-	-	0
	-	-	-	1,195,412
	-	-	-	101,526
	-	-	-	270,890
	-	-	-	183,051
	-	-	-	56,397
	-	-	-	0
	-	-	-	799,104
	-	-	667,820	667,820
	-	-	-	0
	-	-	706,406	706,406
	-	-	-	120,173
	-	213,905	213,905	213,905
	-	-	-	0
	-	-	-	310,591
	-	-	-	262,871
	-	-	-	117,326
	-	-	-	0
	-	-	-	218,455
	<u>(730,471)</u>	<u>-</u>	<u>(911,796)</u>	<u>(911,796)</u>
	<u>(730,471)</u>	<u>213,905</u>	<u>676,335</u>	<u>4,312,131</u>
\$	<u>-</u>	<u>213,905</u>	<u>1,900,782</u>	<u>\$ 6,502,085</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
December 31, 2019

	Special Revenue Funds			
	Street & Arterial Funds	Paths & Trails Fund	Transportation Benefit District	Tourism Promotion Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ 7,546	\$ 1,819,932	\$ 276,917
Licenses and permits	-	-	-	-
Intergovernmental revenues	2,631,857	0	-	-
Charge for services	477,191	-	-	-
Investment income	3,248	-	-	2,678
Other revenue	22,267	(43)	-	-
Total Revenues	<u>3,134,562</u>	<u>7,503</u>	<u>1,819,932</u>	<u>279,595</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	2,019,889	-	100,000	-
Economic environment	-	-	-	243,000
Capital outlay	1,942,898	-	303,633	-
Debt service:				
Principal retirement	1,738	-	-	-
Interest	-	-	6,312	-
Total Expenditures	<u>3,964,525</u>	<u>-</u>	<u>409,945</u>	<u>243,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(829,964)</u>	<u>7,503</u>	<u>1,409,987</u>	<u>36,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Asset				
Transfers in	1,292,186	-	-	-
Transfers out	-	-	(1,469,050)	(25,000)
Total other financing sources (uses)	<u>1,292,186</u>	<u>-</u>	<u>(1,469,050)</u>	<u>(25,000)</u>
Net change in fund balance	462,222	7,503	(59,063)	11,595
Fund Balances - January 1	<u>951,641</u>	<u>94,023</u>	<u>329,954</u>	<u>171,456</u>
Fund Balances - December 31	<u>\$ 1,413,863</u>	<u>\$ 101,526</u>	<u>\$ 270,891</u>	<u>\$ 183,051</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

Special Revenue Funds			Capital Project Funds		
Criminal Justice Funds	Other Special Revenue Funds	Total	Library Community Parking	Fire Station Fund	Total
\$ -	\$ -	\$ 2,104,395	\$ 296,230	\$ -	\$ 296,230
-	72,429	72,429	-	-	-
-	-	2,631,857	-	-	-
151,182	263,389	891,762	-	-	-
1,659	3,762	11,347	101	1,628	1,729
9,442	12,450	44,116	-	-	-
<u>162,283</u>	<u>352,030</u>	<u>5,755,906</u>	<u>296,331</u>	<u>1,628</u>	<u>297,959</u>
9,182	158,443	167,625	-	12,456	12,456
-	-	-	-	-	-
-	-	2,119,889	-	-	-
-	-	243,000	-	-	-
-	67,975	2,314,506	76,052	-	76,052
-	-	1,738	0	-	0
-	357	6,669	0	-	0
<u>9,182</u>	<u>226,775</u>	<u>4,853,427</u>	<u>76,052</u>	<u>12,456</u>	<u>88,508</u>
<u>153,101</u>	<u>125,255</u>	<u>902,479</u>	<u>220,279</u>	<u>(10,828)</u>	<u>209,451</u>
-	-	1,292,186	400,000	-	400,000
<u>(147,000)</u>	<u>(25,000)</u>	<u>(1,666,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(147,000)</u>	<u>(25,000)</u>	<u>(373,864)</u>	<u>400,000</u>	<u>0</u>	<u>400,000</u>
6,101	100,255	528,615	620,279	(10,828)	609,451
<u>50,297</u>	<u>590,535</u>	<u>2,187,906</u>	<u>178,826</u>	<u>131,000</u>	<u>309,826</u>
<u>\$ 56,398</u>	<u>\$ 690,790</u>	<u>\$ 2,716,521</u>	<u>\$ 799,104</u>	<u>\$ 120,173</u>	<u>\$ 919,277</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Capital Projects Funds		
	REET I - Cap Impr Fund	REET II - Streets Fund	Impact Fees Funds
<b>REVENUES</b>			
Taxes	\$ 727,597	\$ 727,597	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	-	-	-
Charge for services	-	-	412,938
Investment income	14,571	653	20,102
Other revenue	4,800	25	-
Total Revenues	<u>746,968</u>	<u>728,275</u>	<u>433,040</u>
<b>EXPENDITURES</b>			
Current:			
Security of persons and property	-	-	31,733
Physical environment	-	-	-
Transportation	616	45,000	-
Economic environment	-	-	6,876
Capital outlay	40,000	610,375	374,114
Debt service			
Principal retirement	115,000	-	-
Interest	1,725	-	-
Total Expenditures	<u>157,341</u>	<u>655,375</u>	<u>412,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>589,627</u>	<u>72,900</u>	<u>20,317</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of a Capital Asset			0
Transfers in	-	-	45,000
Transfers out	(702,815)	(539,000)	(624,240)
Total other financing sources (uses)	<u>(702,815)</u>	<u>(539,000)</u>	<u>(579,240)</u>
Net change in fund balance	(113,188)	(466,100)	(558,923)
Fund Balances - January 1	<u>781,008</u>	<u>284,775</u>	<u>1,265,329</u>
Fund Balances - December 31	<u>\$ 667,820</u>	<u>\$ (181,325)</u>	<u>\$ 706,407</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

Capital Projects Funds			Total
Road Improvement Funds	Downtown Waterfront Fund	Total	Other Government Funds
\$ -	\$ -	1,455,194	\$ 3,855,819
-	-	-	72,429
-	-	-	2,631,855
-	-	412,938	1,304,700
1,174	5,003	41,503	54,579
-	-	4,825	48,941
<u>1,174</u>	<u>5,003</u>	<u>1,914,460</u>	<u>7,968,323</u>
-	-	31,733	211,814
-	-	-	0
-	-	45,616	2,165,506
-	476,597	483,473	726,473
2,313	274,386	1,301,188	3,691,746
-	-	-	0
-	-	115,000	116,738
-	-	1,725	8,394
<u>2,313</u>	<u>750,983</u>	<u>1,978,735</u>	<u>6,920,671</u>
<u>(1,139)</u>	<u>(745,980)</u>	<u>(64,275)</u>	<u>1,047,652</u>
100,000	200,000	345,000	2,037,186
-	-	(1,866,055)	(3,532,105)
<u>100,000</u>	<u>200,000</u>	<u>300,000</u>	<u>(1,494,919)</u>
98,861	(545,980)	235,725	(447,267)
115,044	(184,491)	2,261,665	4,759,397
<u>\$ 213,905</u>	<u>\$ (730,471)</u>	<u>2,497,390</u>	<u>\$ 4,312,131</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DOWNTOWN AND WATERFRONT AREA CAPITAL PROJECTS FUND  
From Inception and for the Year Ended December 31, 2019

	Prior Years	Current Year	Total to Date	Project Authorization
<b>REVENUES</b>				
Intergovernmental revenues	\$ 20,904,376	\$	\$ 20,904,376	\$ 21,146,151
Charge for services	253,800		253,800	-
Investment income	44,426		44,426	30,000
Other revenue	1,707,554	5,003	1,712,558	1,712,558
Total Revenues	<u>22,910,156</u>	<u>5,003</u>	<u>22,915,160</u>	<u>22,888,709</u>
<b>EXPENDITURES</b>				
Current:				
Economic environment	1,688,717	750,863	2,439,580	1,133,247
Capital outlay:				
Structures	29,918,549	120	29,918,670	30,365,887
Debt service:				
Interest	6,000	-	6,000	-
Total Expenditures	<u>31,613,266</u>	<u>750,983</u>	<u>32,364,250</u>	<u>31,499,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,703,110)</u>	<u>(745,980)</u>	<u>(9,449,090)</u>	<u>(8,610,425)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,518,619	200,000	8,718,619	8,518,619
Total other financing sources (uses)	<u>8,518,619</u>	<u>200,000</u>	<u>8,718,619</u>	<u>8,518,619</u>
Net change in fund balances	(184,491)	(545,980)	(730,471)	(91,806)
Fund Balances - Beginning	-	(184,491)	-	-
Fund Balances - Ending	<u>\$ (184,491)</u>	<u>\$ (730,471)</u>	<u>\$ (730,471)</u>	<u>\$ (91,806)</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
STREET AND ARTERIAL SPECIAL REVENUE FUNDS  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	9,561,715	8,561,715	2,631,857	(5,929,858)
Charge for services	465,580	465,580	477,191	11,611
Investment income			3,248	3,248
Other revenue	35,000	35,000	22,267	(12,733)
Total Revenues	<u>10,062,295</u>	<u>9,062,295</u>	<u>3,134,563</u>	<u>(5,927,732)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	2,167,606	2,279,819	2,019,889	259,930
Capital outlay	9,895,370	8,895,370	1,942,898	6,952,472
Debt service				
Principal			-	-
Interest and debt issue costs			1,738	-
Total Expenditures	<u>12,062,976</u>	<u>11,175,189</u>	<u>3,964,525</u>	<u>7,210,664</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000,681)</u>	<u>(2,112,894)</u>	<u>(829,962)</u>	<u>1,282,932</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,298,050	1,298,050	1,292,186	(5,864)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,298,050</u>	<u>1,298,050</u>	<u>1,292,186</u>	<u>(5,864)</u>
Net change in fund balances	(702,631)	814,844	462,224	1,277,068
Fund Balances - January 1	<u>702,631</u>	<u>(814,844)</u>	<u>951,641</u>	<u>1,766,485</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,413,863</u>	<u>\$ 3,043,553</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 PATHS AND TRAILS SPECIAL REVENUE FUND  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2018	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 3,857	\$ 3,857	\$ 7,546	\$ 3,689
Investment income	-	-	(43)	(43)
Total Revenues	<u>3,857</u>	<u>3,857</u>	<u>7,503</u>	<u>3,646</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>78,500</u>	<u>78,500</u>	-	<u>78,500</u>
Total Expenditures	<u>78,500</u>	<u>78,500</u>	-	<u>78,500</u>
Excess (deficiency) of revenues over (under) expenditures	(74,643)	74,643	7,503	82,146
Fund Balances - January 1	<u>74,643</u>	<u>(74,643)</u>	<u>94,023</u>	<u>168,666</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,526</u>	<u>\$ 101,526</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
TRANSPORTATION BENEFIT DISTRICT FUND  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,600,000	1,600,000	\$ 1,819,932	\$ 219,932
Investment income	2,645	2,645	(6,312)	(8,957)
Total Revenues	<u>1,602,645</u>	<u>1,602,645</u>	<u>1,813,620</u>	<u>210,975</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	100,000	100,000	163,216	(63,216)
Capital outlay	<u>1,250,000</u>	<u>1,250,000</u>	<u>240,416</u>	<u>1,009,584</u>
Total Expenditures	<u>1,350,000</u>	<u>1,350,000</u>	<u>403,632</u>	<u>946,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>252,645</u>	<u>252,645</u>	<u>1,409,988</u>	<u>1,157,343</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			-	-
Transfers out	<u>(505,050)</u>	<u>(505,050)</u>	<u>(1,469,050)</u>	<u>(964,000)</u>
Total other financing sources (uses)	<u>(505,050)</u>	<u>(505,050)</u>	<u>(1,469,050)</u>	<u>(964,000)</u>
Net change in fund balances	(252,405)	(252,405)	(59,062)	193,343
Fund Balances - January 1	<u>252,405</u>	<u>252,405</u>	<u>329,954</u>	<u>77,549</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,892</u>	<u>\$ 270,892</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
TOURISM PROMOTION SPECIAL REVENUE FUND  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 295,000	\$ 295,000	\$ 276,917	\$ (18,083)
Investment income	1,000	1,000	2,678	1,678
Other revenue	-	-	-	-
Total Revenues	<u>296,000</u>	<u>296,000</u>	<u>279,595</u>	<u>(16,405)</u>
<b>EXPENDITURES</b>				
Current:				
Economic environment	282,000	282,000	243,000	39,000
Capital outlay	-	-	-	-
Total Expenditures	<u>282,000</u>	<u>282,000</u>	<u>243,000</u>	<u>39,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			-	-
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(11,000)	(11,000)	11,595	22,595
Fund Balances - January 1	<u>11,000</u>	<u>11,000</u>	<u>171,456</u>	<u>160,456</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,051</u>	<u>\$ 183,051</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 CRIMINAL JUSTICE SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 147,000	147,000	151,182	\$ 4,182
Investment income			1,659	1,659
Other revenue	12,400	12,400	9,442	(2,958)
Total Revenues	<u>159,400</u>	<u>159,400</u>	<u>162,283</u>	<u>2,883</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	159,455	159,455	9,182	150,273
Total Expenditures	<u>159,455</u>	<u>159,455</u>	<u>9,182</u>	<u>150,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(55)</u>	<u>(55)</u>	<u>153,101</u>	<u>153,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(147,000)	(147,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(147,000)</u>	<u>(147,000)</u>
Net change in fund balances	(55)	(55)	6,101	6,156
Fund Balances - January 1	<u>55</u>	<u>55</u>	<u>50,297</u>	<u>50,242</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,398</u>	<u>\$ 56,398</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
OTHER SPECIAL REVENUE FUNDS  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2018	Actual 2018	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 68,000	68,000	72,428	\$ 4,428
Intergovernmental revenues				-
Charge for services	291,500	285,100	263,389	(21,711)
Investment income			3,405	3,405
Other revenue	8,100	8,100	12,450	4,350
Total Revenues	<u>367,600</u>	<u>361,200</u>	<u>351,672</u>	<u>(9,528)</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	-			-
Physical environment	215,824	190,700	158,443	32,257
Transportation				-
Economic environment		5,516		5,516
Capital outlay	138,000	128,040	67,975	60,065
Total Expenditures	<u>353,824</u>	<u>324,256</u>	<u>226,418</u>	<u>97,838</u>
Excess (deficiency) of revenues over (under) expenditures	13,776	36,944	125,254	88,310
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	(11,224)	11,944	100,254	88,310
Fund Balances - January 1	<u>11,224</u>	<u>(11,944)</u>	<u>590,535</u>	<u>602,479</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,790</u>	<u>\$ 690,789</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
LIBRARY, COMMUNITY CENTER, AND PARKING FUND  
For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	-	400,000	296,230	(103,770)
Charge for services	-	-	-	-
Investment income	-	-	101	101
Other revenue	-	-	-	-
Total Revenues	<u>-</u>	<u>400,000</u>	<u>296,330</u>	<u>(103,670)</u>
<b>EXPENDITURES</b>				
Current:				
Economic environment	-	-	-	-
Capital outlay	-	128,630	76,052	52,578
Total Expenditures	<u>-</u>	<u>128,630</u>	<u>76,052</u>	<u>52,578</u>
Excess (deficiency) of revenues over (under) expenditures	-	271,370	220,278	(51,092)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Asset		-	-	-
Transfers in		400,000	400,000	-
Transfers out				-
Total other financing sources (uses)	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balances	-	671,370	620,278	(51,092)
Fund Balances - January 1	<u>-</u>		<u>178,826</u>	<u>178,826</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ 671,370</u>	<u>\$ 799,104</u>	<u>\$ 127,734</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FIRE STATION IMPROVEMENT FUND  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charge for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	\$ -	\$ -	\$ 1,628	\$ 1,628
Other revenue	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>1,628</u>	<u>1,628</u>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	-	131,000	12,456	118,544
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>131,000</u>	<u>12,456</u>	<u>118,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(131,000)</u>	<u>(10,828)</u>	<u>120,172</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		131,000		(131,000)
Transfers out				-
Total other financing sources (uses)	<u>-</u>	<u>131,000</u>	<u>-</u>	<u>(131,000)</u>
Net change in fund balances	-	-	(10,828)	(10,828)
Fund Balances - January 1			<u>131,000</u>	<u>131,000</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,172</u>	<u>\$ 120,172</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 REAL ESTATE EXCISE TAX I - CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2018	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 800,000	800,000	727,597	\$ (72,403)
Investment income	7,221	7,221	14,571	7,350
Other revenue	4,800	4,800	4,800	-
Total Revenues	<u>812,021</u>	<u>812,021</u>	<u>746,968</u>	<u>(65,053)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	-	-	616	(616)
Capital outlay	140,000	140,000	40,000	100,000
Debt service:				
Principal	115,000	115,000	115,000	-
Interest and debt issue costs	1,725	1,725	1,725	-
Total Expenditures	<u>256,725</u>	<u>256,725</u>	<u>157,341</u>	<u>99,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>555,296</u>	<u>555,296</u>	<u>589,627</u>	<u>34,331</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(502,815)	(502,815)	(702,815)	(200,000)
Total other financing sources (uses)	<u>(402,815)</u>	<u>(402,815)</u>	<u>(702,815)</u>	<u>(300,000)</u>
Net change in fund balances	152,481	152,481	(113,188)	(265,669)
Fund Balances - January 1	<u>(152,481)</u>	<u>(152,481)</u>	<u>781,008</u>	<u>933,489</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,820</u>	<u>\$ 667,820</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 REAL ESTATE EXCISE TAX II - STREETS CAPITAL PROJECTS FUND  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2018	Actual 2018	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 800,000	800,000	727,597	\$ (72,403)
Investment income	1,804	1,804	653	(1,151)
Other revenue	-	-	25	25
Total Revenues	<u>801,804</u>	<u>801,804</u>	<u>728,275</u>	<u>(73,529)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	45,000	45,000	45,000	-
Capital outlay	<u>525,000</u>	<u>525,000</u>	<u>610,375</u>	<u>(85,375)</u>
Total Expenditures	<u>570,000</u>	<u>570,000</u>	<u>655,375</u>	<u>(85,375)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>231,804</u>	<u>231,804</u>	<u>72,900</u>	<u>(158,904)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(563,751)</u>	<u>(563,751)</u>	<u>(539,000)</u>	<u>24,751</u>
Total other financing sources (uses)	<u>(563,751)</u>	<u>(563,751)</u>	<u>(539,000)</u>	<u>24,751</u>
Net change in fund balances	(331,947)	(331,947)	(466,100)	(134,153)
Fund Balances - January 1	<u>331,947</u>	<u>331,947</u>	<u>284,775</u>	<u>(47,172)</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181,325)</u>	<u>\$ (181,325)</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 IMPACT FEES CAPITAL PROJECTS FUNDS  
 For the Year Ended December 31, 2019

	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Charge for services	\$ 265,000	265,000	412,938	\$ 147,938
Investment income	1,617	1,617	20,102	18,485
Other revenue				-
Total Revenues	<u>266,617</u>	<u>266,617</u>	<u>433,040</u>	<u>166,423</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Security of persons and property	-	-	31,733	(31,733)
Economic environment	-	-	6,876	(6,876)
Capital outlay	434,150	434,150	374,114	60,036
Total Expenditures	<u>434,150</u>	<u>434,150</u>	<u>412,723</u>	<u>21,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(167,533)</u>	<u>(167,533)</u>	<u>20,317</u>	<u>187,850</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Asset				-
Transfers in	45,000	45,000	45,000	
Transfers out	(624,240)	(624,240)	(624,240)	-
Total other financing sources (uses)	<u>(579,240)</u>	<u>(579,240)</u>	<u>(579,240)</u>	-
Net change in fund balances	(746,773)	(746,773)	(558,923)	187,850
Fund Balances - January 1	<u>746,773</u>	<u>746,773</u>	<u>1,265,329</u>	<u>518,556</u>
Fund Balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706,405</u>	<u>\$ 706,406</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ROAD IMPROVEMENT CAPITAL PROJECTS FUNDS  
From Inception and for the Year Ended December 31, 2019

	Prior Years	Current Year	Total to Date	Project Authorization
<b>REVENUES</b>				
Intergovernmental revenues	\$ 772,117	\$ -	\$ 772,117	\$ 6,100,834
Investment income	<u>                    </u>	<u>1,174</u>	<u>1,174</u>	<u>                    </u>
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>772,117</u>	<u>1,174</u>	<u>773,291</u>	<u>6,100,834</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Streets	<u>1,028,010</u>	<u>2,313</u>	<u>1,030,323</u>	<u>6,583,319</u>
Total Expenditures	<u>1,028,010</u>	<u>2,313</u>	<u>1,030,323</u>	<u>6,583,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(255,893)</u>	<u>(1,139)</u>	<u>(257,032)</u>	<u>(482,485)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,418,485	100,000	<u>1,518,485</u>	1,418,485
Transfers out	<u>(936,000)</u>	<u>                    </u>	<u>                    </u>	<u>(936,000)</u>
Total other financing sources (uses)	<u>482,485</u>	<u>100,000</u>	<u>1,518,485</u>	<u>482,485</u>
Net change in fund balances	226,592	98,861	1,261,453	-
Fund Balances - Beginning	<u>(226,592)</u>	<u>115,044</u>	<u>(111,548)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 213,905</u>	<u>\$ 1,149,905</u>	<u>\$ -</u>

# STATISTICAL SECTION



## Statistical Section

This part of the City of Mount Vernon’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

### Contents

### Tables

#### Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. 117-122

#### Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue sources. 123-126

#### Debt Capacity

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. 127-130

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. 132-133

#### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. 134-136

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Mount Vernon  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

Table 1

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net investment in capital assets	104,955,657	\$ 104,531,174	\$ 104,853,094	\$ 106,731,620	\$ 109,014,614	\$ 109,551,655	\$ 111,628,851	\$ 119,840,832	\$ 120,508,010	\$ 128,688,300
Restricted	1,206,545	2,121,160	3,054,632	2,235,340	4,280,417 <sup>2</sup>	6,186,786	6,377,661	6,913,650	4,339,005	4,487,560
Unrestricted	13,953,756	13,870,591	11,506,316	9,977,218	3,397,520 <sup>2</sup>	1,280,932	1,933,779	1,963,358	514,134	4,998,409
Total governmental activities net position	120,115,958	\$ 120,522,925	\$ 119,414,042	\$ 118,944,178	\$ 116,692,551	\$ 117,019,373	\$ 119,940,291	\$ 128,717,840	\$ 125,361,149	\$ 138,174,269
<b>Business-type activities</b>										
Net investment in capital assets	56,635,354 <sup>1</sup>	\$ 55,766,972	\$ 55,066,569	\$ 54,350,037	\$ 53,678,922	\$ 53,904,860	\$ 53,441,848	\$ 53,929,788	\$ 53,483,282	\$ 51,850,308
Restricted	1,184,033	1,408,965	1,634,015	1,859,187	2,084,487	2,187,090	2,081,809	2,085,317	2,161,507	2,156,475
Unrestricted	10,808,837	10,783,493	11,205,544	12,097,107	11,359,357 <sup>2</sup>	12,306,017	12,330,997	10,690,853	12,560,668	12,632,849
Total business-type activities net position	68,628,224	\$ 67,959,430	\$ 67,906,128	\$ 68,306,331	\$ 67,122,766	\$ 68,397,967	\$ 67,854,654	\$ 66,705,958	\$ 68,205,467	\$ 66,639,632
<b>Primary government</b>										
Net investment in capital assets	161,591,011	\$ 160,298,146	\$ 159,919,663	\$ 161,081,657	\$ 162,693,536	\$ 163,456,515	\$ 165,070,699	\$ 173,770,620	\$ 173,991,302	\$ 180,538,608
Restricted	2,390,578	3,530,125	4,688,647	4,094,527	6,364,904	8,373,876	8,459,470	8,998,967	6,500,512	6,644,035
Unrestricted	24,762,593	24,654,084	22,711,860	22,074,325	17,220,011 <sup>2</sup>	13,586,949	14,264,776	12,654,211	13,074,802	17,631,258
Total primary government activities net position	188,744,182	\$ 188,482,355	\$ 187,320,170	\$ 187,250,509	\$ 186,278,451	\$ 185,417,340	\$ 187,794,945	\$ 195,423,798	\$ 193,566,616	\$ 204,813,901

<sup>1</sup> Change due to revaluation of developer donated capital assets in 2011, with restatement of 2010 net assets/position

<sup>2</sup> Change due to implementation of GASB 67/68, with restatement of 2014 net position

**City of Mount Vernon  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

**Table 2**  
Page 1 of 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,006,612	\$ 3,006,301	\$ 2,440,038	\$ 2,666,284	\$ 2,719,779	\$ 3,270,800	\$ 3,440,520	\$ 3,769,496	\$ 8,500,805	\$ 8,088,823
Security of persons and property	12,601,859	12,803,302	14,223,785	14,318,762	15,347,983	15,317,093	15,716,505	15,830,775	14,398,159	16,927,057
Physical environment	1,097,413	1,192,299	1,133,258	1,193,083	1,219,098	1,262,497	1,191,504	1,191,504	1,009,749	421,001
Transportation	3,815,482	3,958,141	4,154,146	4,012,883	4,413,146	4,922,361	4,381,468	4,668,181	5,280,705	4,068,563
Economic environment	740,985	647,720	933,613	1,141,570	1,157,100	1,224,517	1,526,261	1,759,249	742,702	600,977
Culture and recreation	2,536,662	2,603,886	2,965,743	2,843,510	2,920,427	2,875,808	3,021,633	3,273,919	3,579,609	3,145,097
Interest on long-term debt	139,979	113,506	93,210	76,050	58,968	45,549	37,901	25,487	187,637	235,850
Total governmental activities	\$ 23,938,992	\$ 24,325,155	\$ 25,943,793	\$ 26,252,142	\$ 27,836,501	\$ 28,918,625	\$ 29,387,095	\$ 30,453,611	\$ 33,699,366	\$ 33,487,368
Business-type activities:										
Wastewater	\$ 8,481,211	\$ 8,857,474	\$ 8,824,202	\$ 8,834,919	\$ 8,985,989	\$ 9,166,369	\$ 8,985,083	\$ 9,600,276	\$ 8,724,772	\$ 10,427,995
Solid Waste	4,492,894	4,508,789	4,549,967	4,639,970	4,835,557	5,169,260	5,277,814	5,400,168	5,482,497	6,905,829
Surfacewater	1,623,730	1,695,826	1,855,230	1,872,522	1,985,545	2,158,523	2,110,047	2,152,457	2,294,577	2,522,308
Total business-type activities	\$ 14,597,835	\$ 15,062,089	\$ 15,229,399	\$ 15,347,411	\$ 15,807,091	\$ 16,494,152	\$ 16,352,944	\$ 17,152,901	\$ 16,501,846	\$ 19,856,132
Total primary government	\$ 38,536,827	\$ 39,387,244	\$ 41,173,192	\$ 41,599,553	\$ 43,643,592	\$ 45,412,777	\$ 45,740,039	\$ 47,606,512	\$ 50,201,212	\$ 53,343,500
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 577,946	\$ 574,478	\$ 589,645	\$ 693,884	\$ 737,270	\$ 712,918	\$ 810,368	\$ 813,448	\$ 2,268,250	\$ 3,030,950
Economic environment	588,843	700,366	769,249	963,755	844,337	1,298,218	440,373	2,191,701	71,099	401,348
Transportation	771,881	755,898	768,437	765,493	775,431	768,967	834,893	883,801	1,797,891	1,590,503
Culture and recreation	560,369	554,223	542,607	532,121	541,524	567,903	593,606	586,527	854,598	1,003,735
Other activities	536,909	447,843	490,778	478,894	453,693	514,931	1,787,172	523,213	1,776,292	3,061,190
Operating grants and contributions	1,342,299	1,647,484	1,639,005	1,531,599	1,425,286	1,538,728	1,523,776	1,651,473	502,246	427,445
Capital grants and contributions	3,503,509	1,947,024	2,105,614	2,433,891	4,018,415	3,210,309	2,215,130	6,703,691	563,011	7,326,551
Total governmental activities program revenues	\$ 7,881,756	\$ 6,627,316	\$ 6,905,335	\$ 7,399,637	\$ 8,795,956	\$ 8,611,974	\$ 8,205,318	\$ 13,353,854	\$ 7,833,387	\$ 16,841,722
Business-type activities:										
Charges for services:										
Wastewater	\$ 7,402,860	\$ 7,806,825	\$ 7,823,520	\$ 8,036,667	\$ 8,191,514	\$ 8,161,734	\$ 8,366,454	\$ 8,383,025	\$ 8,423,358	\$ 8,449,376
Solid Waste	4,274,237	4,554,183	4,799,728	4,934,037	5,032,710	5,402,840	5,446,055	5,551,442	5,837,011	6,090,794
Surfacewater	1,508,188	1,529,890	1,535,812	1,533,721	1,550,371	1,541,571	1,541,471	1,545,999	2,308,874	2,517,296
Operating grants and contributions	-	-	-	46,775	3,225	25,000	530	25,000	57,243	15,997
Capital grants and contributions	843,170	1,113,300	982,233	1,079,811	1,371,672	2,424,259	1,784,708	1,600,888	1,189,691	1,401,805
Total business-type activities program revenues	\$ 14,028,455	\$ 15,004,198	\$ 15,141,293	\$ 15,631,011	\$ 16,149,492	\$ 17,555,404	\$ 17,139,218	\$ 17,106,154	\$ 17,816,177	\$ 18,475,268
Total primary government	\$ 21,910,211	\$ 21,631,514	\$ 22,046,628	\$ 23,030,648	\$ 24,945,448	\$ 26,167,378	\$ 25,344,536	\$ 30,460,008	\$ 25,649,564	\$ 35,316,990
Net (expense)/revenue	\$ (16,057,236)	\$ (17,697,839)	\$ (19,038,458)	\$ (18,852,505)	\$ (19,040,545)	\$ (20,306,651)	\$ (21,181,777)	\$ (17,099,757)	\$ (25,865,979)	\$ (16,645,646)
Governmental activities	(569,380)	(57,891)	(88,106)	283,600	342,401	1,061,252	786,274	(46,747)	1,314,331	(1,380,864)
Business-type activities	(16,226,616)	(17,755,730)	(19,126,564)	(18,568,905)	(18,698,144)	(19,245,399)	(20,395,503)	(17,146,504)	(24,551,648)	(18,026,510)
Total primary government net expense										

**City of Mount Vernon  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

**Table 2**  
Page 2 of 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 6,951,899	\$ 7,070,597	\$ 7,179,265	\$ 7,271,117	\$ 7,380,908	\$ 7,295,533	\$ 7,465,603	\$ 7,569,733	\$ 7,595,647	\$ 7,801,753
Sales taxes	4,660,618	4,619,723	4,939,586	5,468,436	5,568,024	5,923,161	6,769,280	7,068,622	7,730,663	7,768,604
Utility taxes	3,757,553	3,789,389	3,715,809	3,486,416	3,678,982	3,719,668	4,034,205	4,186,049	4,180,841	3,980,370
Public safety sales taxes	-	-	-	-	979,683 <sup>1</sup>	1,283,352	1,348,069	1,417,724	1,598,174	2,638,544
Real estate excise taxes	488,606	416,642	524,126	790,094	883,123	1,153,308	1,259,116	1,794,496	1,699,748	151,182
Transportation benefit district sales tax	-	-	-	-	-	-	-	1,000,128 <sup>2</sup>	1,768,530	1,819,932
Other taxes	1,132,122	1,192,964	1,294,912	1,218,274	1,278,793	1,359,911	1,460,449	1,545,813	1,953,446	3,311,668
Interest and investment earnings	175,283	176,682	116,472	92,825	82,053	123,889	157,495	83,018	233,668	520,014
Miscellaneous	25	3,498	9,405	5,479	4,199	20,097	2,674	10,966	1,006,856	305,840
Transfers	(623,582)	835,301	150,000	50,000	100,000	(58,550)	1,605,804	1,200,757	100,000	900,000
Total governmental activities	\$ 16,522,524	\$ 18,104,806	\$ 17,929,575	\$ 18,382,641	\$ 19,955,765	\$ 20,820,369	\$ 24,102,695	\$ 25,877,306	\$ 27,867,573	\$ 29,197,907
Business-type activities										
Interest and investment earnings	\$ 113,302	\$ 69,497	\$ 51,020	\$ 64,468	\$ 107,354	\$ 119,283	\$ 156,639	\$ 49,697	\$ 147,220	\$ 393,940
Miscellaneous	134,847	154,901	133,784	102,135	209,285	36,116	119,578	49,111	137,959	97,977
Transfers	623,582	(835,301)	(150,000)	(50,000)	(100,000)	58,550	(1,605,804)	(1,200,757)	(100,000)	(900,000)
Total business-type activities	\$ 871,731	\$ (610,903)	\$ 34,804	\$ 116,603	\$ 216,639	\$ 213,949	\$ (1,329,587)	\$ (1,101,949)	\$ 185,179	\$ (408,083)
Total primary government	\$ 17,394,255	\$ 17,493,903	\$ 17,964,379	\$ 18,499,244	\$ 20,172,404	\$ 21,034,318	\$ 22,773,108	\$ 24,775,357	\$ 28,052,752	\$ 17,989,034
Prior period adjustment governmental activities										260,859
Prior period adjustment business-type activities										223,112
<b>Change in Net Position</b>										
Governmental activities	\$ 465,288	\$ 406,967	\$ (1,108,883)	\$ (469,864)	\$ 915,220	\$ 1,779,824	\$ 3,796,044	\$ 8,777,549	\$ 2,001,594	\$ 12,813,120
Business-type activities	302,351	(668,794)	(53,302)	400,203	559,040	556,350	(268,335)	(1,148,696)	1,499,510	(1,565,835)
Total primary government	\$ 767,639	\$ (261,827)	\$ (1,162,185)	\$ (69,661)	\$ 1,474,260	\$ 2,336,174	\$ 3,527,709	\$ 7,628,853	\$ 3,501,104	\$ 11,247,285

<sup>1</sup> Public safety sales tax passed through to Skagit County for jail implemented in 2014

<sup>2</sup> Transportation Benefit District sales tax implemented in 2017

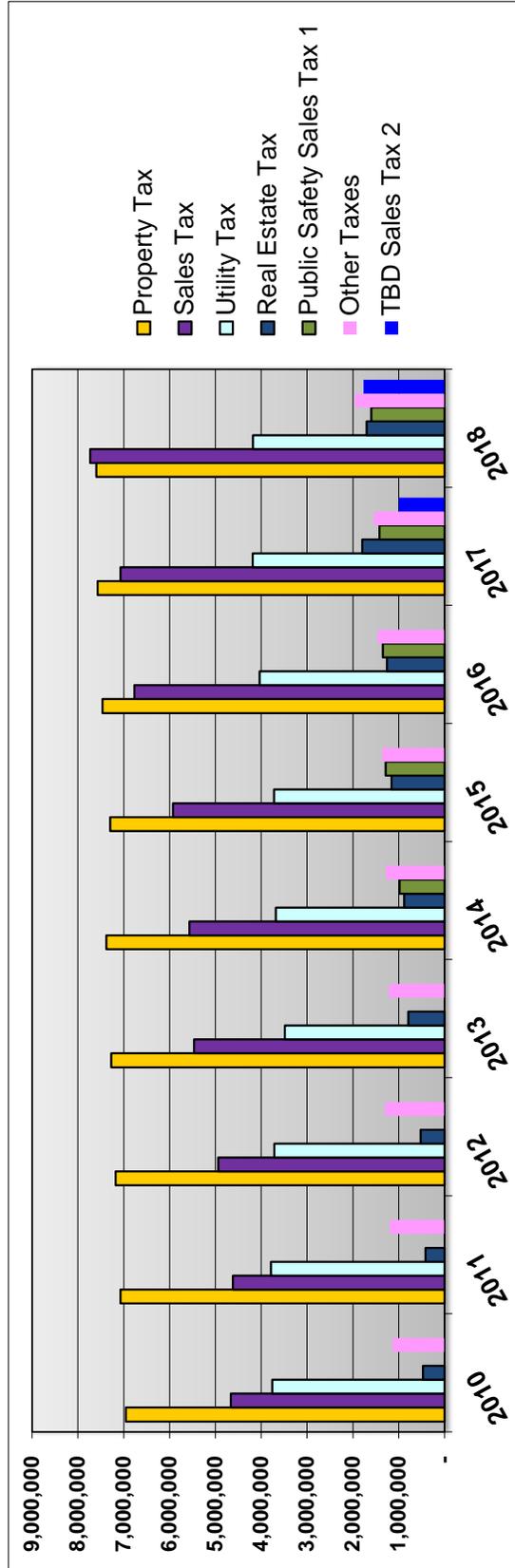
**City of Mount Vernon  
Governmental Activities Tax Revenues by Source  
Last Ten Fiscal Years  
(accrual basis of accounting)**

**Table 3**

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Real Estate Tax	Public Safety Sales Tax <sup>1</sup>	TBD Sales Tax <sup>2</sup>	Other Taxes	Total
2010	6,951,899	4,660,618	3,757,553	468,606	-	-	1,132,122	16,970,798
2011	7,070,597	4,619,723	3,789,389	416,642	-	-	1,192,964	17,089,315
2012	7,179,265	4,939,586	3,715,809	524,126	-	-	1,294,912	17,653,698
2013	7,271,117	5,468,436	3,486,416	790,094	-	-	1,218,274	18,234,337
2014	7,380,908	5,568,024	3,678,982	883,123	979,683	-	1,278,793	18,789,830
2015	7,295,533	5,923,161	3,719,668	1,153,308	1,283,352	-	1,359,911	20,734,933
2016	7,465,603	6,769,280	4,034,205	1,259,116	1,348,069	-	1,460,449	22,336,722
2017	7,569,733	7,068,622	4,186,049	1,794,496	1,417,724	1,000,128	1,545,813	24,582,565
2018	7,595,647	7,730,663	4,180,841	1,699,748	1,598,174	1,768,530	1,953,446	26,527,049
2019	7,801,753	7,768,604	3,980,370	1,455,195	2,638,544	1,819,932	2,007,655	27,472,053

<sup>1</sup> Public safety sales tax passed through to Skagit County for jail implemented in 2014

<sup>2</sup> Transportation Benefit District Sales Tax implemented in 2017



**City of Mount Vernon**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

**Table 4**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 37,968	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,333,648	-	-	-	-	-	-	-	-	-
Non-spendable <sup>1</sup>	-	-	-	-	-	200,000	-	-	-	-
Restricted <sup>1</sup>	-	58,308	68,724	69,216	79,675	88,399	102,003	88,005	67,042	341,520
Committed <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Assigned <sup>1</sup>	1,172,993	1,172,993	1,162,578	1,154,870	1,198,015	1,161,998	1,153,507	1,228,068	1,145,225	872,240
Unassigned <sup>1</sup>	3,475,112	3,475,112	3,565,837	3,756,611	3,627,879	3,332,941	4,343,349	4,727,496	4,852,424	4,276,648
<b>Total general fund</b>	<b>\$ 2,371,616</b>	<b>\$ 4,706,413</b>	<b>\$ 4,797,139</b>	<b>\$ 4,980,697</b>	<b>\$ 4,905,569</b>	<b>\$ 4,783,338</b>	<b>\$ 5,598,859</b>	<b>\$ 6,043,569</b>	<b>\$ 6,064,691</b>	<b>\$ 5,490,408</b>
All other governmental funds										
Reserved	\$ 24,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,176,060	-	-	-	-	-	-	-	-	-
Capital projects funds	3,031,784	-	-	-	-	-	-	-	-	-
Non-spendable <sup>1</sup>	-	-	-	-	-	-	28,462	28,462	-	-
Restricted <sup>1</sup>	-	2,062,853	2,985,908	1,659,366	1,512,335	2,299,164	2,630,543	3,143,395	4,271,963	3,931,040
Committed <sup>1</sup>	-	418,204	404,002	429,949	362,788	427,647	422,341	462,193	590,535	690,790
Assigned <sup>1</sup>	-	2,652,504	1,616,891	647,863	828,461	(8,654)	87,807	148,278	8,449	1,017,558
Unassigned <sup>1</sup>	-	-	-	-	-	-	-	-	-	(911,796)
<b>Total all other governmental funds</b>	<b>\$ 5,232,774</b>	<b>\$ 5,133,561</b>	<b>\$ 5,006,801</b>	<b>\$ 2,737,178</b>	<b>\$ 2,703,584</b>	<b>\$ 2,718,157</b>	<b>\$ 3,169,153</b>	<b>\$ 3,782,328</b>	<b>\$ 4,870,947</b>	<b>\$ 4,727,592</b>

<sup>1</sup> Only seven years of "Non-spendable, Restricted, Committed, Assigned or Unassigned" data is available due to the implementation of GASB 54 effective January 1, 2011

<sup>2</sup> General Fund increase attributable to change in accrual methodology and inclusion of reclassified special revenue funds per GASB 54 guidance

<sup>3</sup> Downtown & Waterfront Fund data included with other governmental funds prior to 2013

**City of Mount Vernon**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Table 5

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 16,418,318	\$ 16,791,641	\$ 17,178,410	\$ 18,078,991	\$ 19,454,419	\$ 20,368,866	\$ 21,886,553	\$ 24,176,540	\$ 26,527,049	\$ 27,464,507
Licenses and permits	785,721	935,775	1,092,537	1,076,689	1,094,884	1,467,137	1,388,267	1,433,903	1,448,454	1,263,556
Intergovernmental	5,107,375	3,171,240	3,892,126	3,903,042	4,970,007	4,256,645	3,081,333	7,135,376	1,839,128	9,506,753
Charges for Services	2,345,288	2,251,895	2,150,537	2,689,568	2,641,732	2,751,117	3,427,976	3,949,389	4,212,273	5,659,200
Fines & Forfeits	341,276	321,173	265,359	266,194	259,426	277,477	244,766	247,908	222,897	326,490
Investment earnings	102,002	103,930	87,768	68,738	54,122	79,748	105,929	82,442	196,864	287,578
Miscellaneous	582,441	557,812	530,491	523,282	634,327	726,873	741,842	692,266	724,825	792,220
<b>Total revenues</b>	<b>\$ 25,682,421</b>	<b>\$ 24,133,466</b>	<b>\$ 25,197,228</b>	<b>\$ 26,606,504</b>	<b>\$ 29,108,917</b>	<b>\$ 29,927,863</b>	<b>\$ 30,876,666</b>	<b>\$ 37,717,824</b>	<b>\$ 35,171,490</b>	<b>\$ 45,300,304</b>
<b>Expenditures</b>										
General government	\$ 3,694,234	\$ 3,654,085	\$ 3,417,654	\$ 3,354,455	\$ 3,472,819	\$ 4,093,320	\$ 4,342,581	\$ 4,809,635	\$ 6,540,609	\$ 6,126,243
Public safety	11,914,548	12,060,509	13,150,428	12,882,246	14,101,700	14,385,080	14,556,923	15,281,724	15,220,576	19,445,323
Physical environment	1,339,363	1,290,989	1,232,741	1,269,541	1,314,518	1,357,083	1,385,152	1,468,721	2,306,406	1,915,240
Transportation	1,435,242	1,230,230	1,226,729	1,207,396	1,431,264	1,441,037	1,426,014	1,593,885	3,060,268	3,052,380
Economic environment	741,512	617,239	576,570	1,114,294	1,121,092	1,101,082	1,523,442	1,764,803	441,215	1,020,189
Culture and recreation	2,297,071	2,175,688	2,309,385	2,334,491	2,399,669	2,460,087	2,589,474	2,855,421	3,104,453	3,457,486
Capital outlay	4,739,684	2,639,826	2,755,900	4,652,883	6,500,434	3,974,526	4,980,132	10,058,805	3,776,647	11,769,759
Debt service										
Principal	706,400	820,976	630,000	635,000	655,000	795,000	610,000	625,000	175,000	215,000
Interest	144,802	122,982	94,878	77,730	60,518	46,083	38,857	26,543	12,637	20,850
<b>Total expenditures</b>	<b>\$ 27,012,856</b>	<b>\$ 24,612,584</b>	<b>\$ 25,394,285</b>	<b>\$ 27,528,036</b>	<b>\$ 31,057,014</b>	<b>\$ 29,653,298</b>	<b>\$ 31,452,575</b>	<b>\$ 38,484,537</b>	<b>\$ 34,637,811</b>	<b>\$ 47,022,469</b>
Excess of revenues over (under) expenditures	\$ (1,330,435)	\$ (479,118)	\$ (197,057)	\$ (921,532)	\$ (1,948,097)	\$ 274,565	\$ (575,909)	\$ (766,713)	\$ 533,679	\$ (1,722,165)
<b>Other financing sources (uses)</b>										
Transfers in	\$ 2,477,199	\$ 2,359,312	\$ 921,875	\$ 692,375	\$ 1,208,755	\$ 1,615,353	\$ 2,934,199	\$ 3,491,025	\$ 1,664,700	\$ 4,189,290
Transfers out	(1,637,199)	(1,329,312)	(771,875)	(642,375)	(1,108,755)	(1,379,550)	(1,378,395)	(2,298,025)	(1,564,700)	(3,614,105)
Insurance recovery	-	-	11,023	-	-	-	-	-	-	-
Sale of capital assets	-	342,223	-	-	-	11,000	-	-	290,102	29,917
Contractual debt issued	-	-	-	-	1,000,000	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	-	-	-
Refunding bonds issues	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 840,000</b>	<b>\$ 1,372,223</b>	<b>\$ 161,023</b>	<b>\$ 50,000</b>	<b>\$ 1,100,000</b>	<b>\$ 246,803</b>	<b>\$ 1,555,804</b>	<b>\$ 1,193,000</b>	<b>\$ 390,102</b>	<b>\$ 605,102</b>
<b>Net Change in fund balances</b>	<b>\$ (490,435)</b>	<b>\$ 893,105</b>	<b>\$ (36,034)</b>	<b>\$ (871,532)</b>	<b>\$ (848,097)</b>	<b>\$ 521,368</b>	<b>\$ 979,895</b>	<b>\$ 426,287</b>	<b>\$ 923,781</b>	<b>\$ (1,117,063)</b>
Debt service as a percentage of noncapital expenditures	3.78%	4.27%	3.17%	3.08%	2.87%	3.13%	2.39%	1.70%	0.55%	0.51%

**City of Mount Vernon  
Assessed Value of Taxable Property  
Last Ten Fiscal Years**

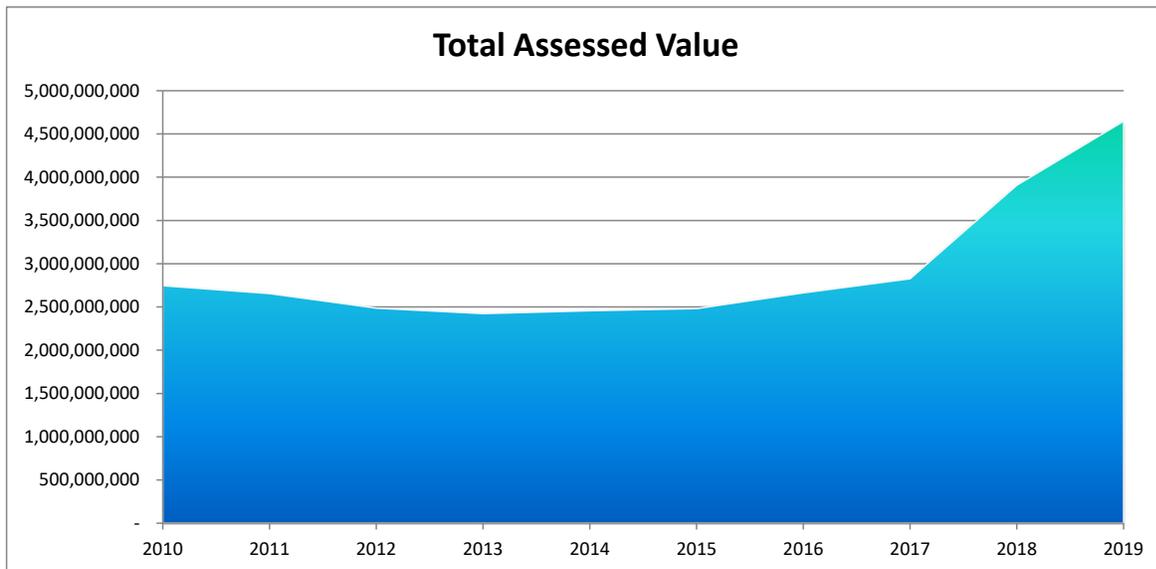
**Table 6**

Levy Year	Real Property Assessed Value	Personal Property Assessed Value	Utility Property Assessed Value	Total Assessed Value	Total Direct Tax Rate <sup>1</sup>
2009	2,687,985,260	92,961,603	56,974,376	2,837,921,239	2.45
2010	2,603,798,517	98,222,628	44,708,516	2,746,729,661	2.56
2011	2,503,214,196	101,089,000	49,971,353	2,654,274,549	2.69
2012	2,335,484,336	101,342,300	48,887,168	2,485,713,804	2.90
2013	2,285,475,617	95,770,893	40,950,246	2,422,196,756	3.04
2014	2,306,295,647	99,133,300	50,704,998	2,456,133,945	3.05
2015	2,339,074,815	92,084,400	50,976,137	2,482,135,352	2.97
2016	2,509,382,258	100,756,400	53,932,811	2,664,071,469	2.82
2017	2,671,991,537	103,307,100	49,839,242	2,825,137,879	2.70
2018	3,753,520,701	104,067,900	49,555,709	3,907,144,310	2.43
2019	4,478,775,501	118,839,000	49,910,711	4,647,525,212	2.22

Source: Skagit County Assessor

Per Assessor, real and personal property have been assessed at 100% of the estimated value.

<sup>1</sup> Tax rates are per \$1,000 of assessed value.



**City of Mount Vernon  
Property Tax Rates - Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last ten Fiscal Year**

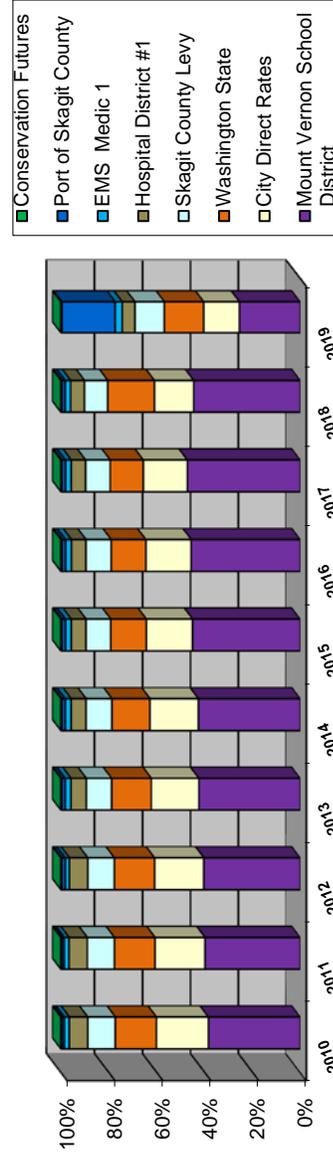
**TABLE 7**

Fiscal Year	City Direct Rates			Overlapping Rates <sup>1</sup>										Total <sup>2</sup>	
	Operating Levy	Debt Service Levy	Total Direct Rate	Mount Vernon School District					Skagit County Levy	Washington State	Hospital District #1	EMS Medic 1	Port of Skagit County		Conservation Futures
				Operating Levy	Debt/Tech Levy	Total School Levy	Hospital District #1	EMS Medic 1							
2009	2.26	0.19	2.45	2.70	1.78	4.48	1.24	1.96	0.81	0.23	0.12	0.04	11.33		
2010	2.38	0.18	2.56	3.01	1.56	4.57	1.36	2.03	0.91	0.25	0.12	0.05	11.85		
2011	2.49	0.20	2.69	3.37	1.81	5.18	1.46	2.20	0.99	0.25	0.13	0.05	12.95		
2012	2.68	0.22	2.90	3.77	1.95	5.72	1.56	2.37	1.08	0.25	0.20	0.05	14.13		
2013	2.83	0.21	3.04	4.20	2.35	6.55	1.62	2.55	0.98	0.38	0.21	0.05	15.38		
2014	2.84	0.21	3.05	4.14	2.34	6.48	1.63	2.41	0.94	0.38	0.21	0.05	15.15		
2015	2.85	0.13	2.97	4.28	2.70	6.98	1.59	2.30	0.95	0.38	0.23	0.05	15.46		
2016	2.69	0.13	2.82	4.22	2.59	6.81	1.56	2.15	0.90	0.37	0.22	0.06	14.89		
2017	2.58	0.12	2.70	4.17	2.82	6.99	1.51	2.04	0.88	0.36	0.22	0.05	14.75		
2018	2.43	0.00	2.43	4.42	2.24	6.66	1.44	2.89	0.86	0.34	0.20	0.05	14.88		
2019	2.22	0.00	2.22	1.50	2.33	3.83	1.83	2.45	0.79	0.44	3.32	0.05	14.94		

Source: Skagit County Assessor

<sup>1</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Mount Vernon. Not all overlapping rates apply to all Mount Vernon property owners (e.g. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

<sup>2</sup> There are five levy codes for the City of Mount Vernon with 2017 rates ranging from \$11.69 to \$14.75 per thousand dollars of assessed value.



**City of Mount Vernon  
Principal Property Taxpayers  
Current Year and 10 Years Ago**

**TABLE 8**

Taxpayer	2019			2009		
	Taxable Assessed Valuation	Rank	Percentage Of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage Of Total Assessed Valuation
Wal-Mart Stores, Inc. <i>(Discount store)</i>	\$ 22,545,100	1	0.49	\$ 10,836,600	7	0.38
Cascade West Apartment LLC <i>(Apartment Complex)</i>	21,949,200	2	0.47	9,590,600	8	0.34
Perdue Foods (formerly Draper Valley Holdings, LLC) <i>(Food Processing)</i>	15,024,700	3	0.32			
B33 Skagit Valley LLC <i>(Retail Property Owner)</i>	14,744,000	4	0.32			
KRE Tiger Mountain Glen LLC <i>(Senior Care/ Retirement Homes)</i>	13,704,100	5	0.29			
Skagit Valley Family YMCA <i>(Public Property)</i>	13,271,400	6	0.29			
Buchtel Realty Investors LLC <i>(Lowe's Hardware Store)</i>	11,603,200	7	0.25			
SummerGlen LLC <i>(Apartment Complex)</i>	10,595,000	8	0.23			
Mount Vernon Plaza Assoc LLC <i>(Retail Strip Mall)</i>	9,560,400	9	0.21			
Pedersen Gunnar <i>(Athletic Store)</i>	9,314,500	10	0.20			
Puget Sound Energy <i>(Utility)</i>				22,635,198	1	0.80
Verizon Northwest, Inc <i>(Mobile Phone Service)</i>				20,965,234	2	0.74
The Quadrant Corporation <i>(Building Construction)</i>				19,618,700	3	0.69
Skagit Capital, LLC <i>(Retail Strip Mall)</i>				18,523,700	4	0.65
Skagit Valley Real Estate Partnership <i>(Medical Center)</i>				16,720,100	5	0.59
Watson Properties <i>(Retirement Homes)</i>				13,376,100	6	0.47
DB Johnson Construction Inc <i>(Building Construction)</i>				9,424,300	9	0.33
	<u>\$ 142,311,600</u>		<u>3.06%</u>	<u>\$ 141,690,532</u>		<u>4.99%</u>
 TOTAL CITY ASSESSED VALUE	 \$ 4,647,525,212			 \$ 2,837,921,239		

**Source :** Skagit County Assessor

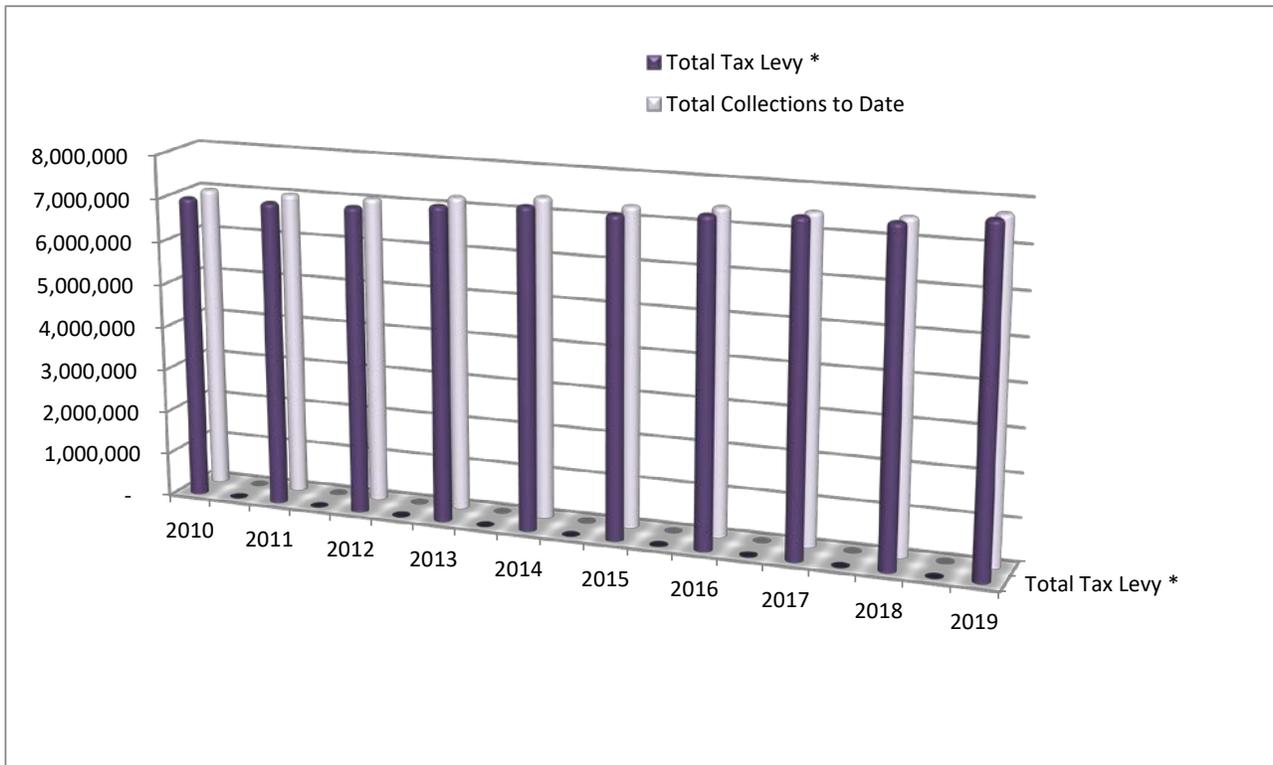
**City of Mount Vernon  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

**Table 9**

Fiscal Year	Total Tax Levy *	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Current Tax Collections	Percentage of Levy		Amount	Percentage of Levy
2010	6,988,192	6,666,137	95.4	322,055	6,988,192	100.0
2011	7,018,550	6,875,563	98.0	142,987	7,018,550	100.0
2012	7,068,945	6,960,249	98.5	108,690	7,068,939	100.0
2013	7,238,544	7,166,228	99.0	71,329	7,237,557	100.0
2014	7,374,787	7,262,707	98.5	111,622	7,374,329	100.0
2015	7,333,106	7,243,518	98.8	74,451	7,317,969	99.8
2016	7,467,805	7,348,620	98.4	89,881	7,438,501	99.6
2017	7,580,638	7,480,657	98.7	-	7,480,657	98.7
2018	7,602,182	7,517,236	98.9	-	7,517,236	98.9
2019	7,810,740	7,731,301	99.0	-	7,731,301	99.0

**Source:** Skagit County Assessor

\* Includes levy adjustments



**City of Mount Vernon**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

**Table 10**

Fiscal Year	Governmental Activities				Business-type Activities				Total	Percentage of Personal Income <sup>1 &amp; 2</sup>	Debt Per Capita <sup>1 &amp; 2</sup>
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loan	Other Debt	Revenue Bonds	Dept of Ecology Loan	Public Works Trust Fund Loan				
2010	3,255,000	-	1,265,000	210,976	-	17,564,057	17,996,138	40,291,171	0.88%	1,308	
2011	2,760,000	-	1,150,000	-	-	16,728,087	16,803,587	37,441,674	0.84%	1,180	
2012	2,245,000	-	1,035,000	-	-	15,867,565	15,611,037	34,758,602	0.76%	1,088	
2013	1,725,000	-	920,000	-	-	14,981,730	14,418,486	32,045,216	0.70%	994	
2014	1,185,000	-	805,000	1,000,000	-	14,069,802	13,225,935	30,285,737	0.59%	926	
2015	805,000	-	690,000	700,000	-	13,130,969	12,033,384	27,359,353	0.50%	825	
2016	410,000	-	575,000	600,000	-	12,164,395	10,840,833	24,590,228	0.45%	733	
2017	-	-	460,000	500,000	-	11,169,218	9,834,529	21,963,747	0.38%	651	
2018	-	-	345,000	400,000	-	10,144,543	8,828,225	19,717,768	N/A	585	
2019	-	-	230,000	300,000	-	9,293,144	7,821,921	17,645,065	-	523	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Statistical Table 15 for personal income and population data. Personal income data only available at Countywide level; data is not available at City level.

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

**City of Mount Vernon**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**TABLE 11**

Fiscal Year	<i>hide columns</i>		General Obligation Bonds	Less: Amounts Available in Debt Service Fund <sup>1</sup>	Total	Percentage of Actual Taxable Value <sup>2</sup> of Property	Per Capita <sup>3</sup>
	Population	Assessed Value					
2008	30,150	2,749,420,127	4,130,000	12,457	4,117,543	0.150	136.57
2009	30,800	2,837,921,239	3,735,000	47,041	3,687,959	0.130	119.74
2010	31,743	2,746,729,661	3,255,000	14,930	3,240,070	0.118	102.07
2011	31,940	2,654,274,549	2,760,000	22,543	2,737,457	0.103	85.71
2012	32,250	2,485,713,804	2,245,000	31,681	2,213,319	0.089	68.63
2013	32,710	2,424,155,863	1,725,000	32,024	1,692,976	0.070	51.76
2014	33,170	2,456,133,945	1,185,000	18,746	1,166,254	0.047	35.16
2015	33,530	2,482,135,352	805,000	12,270	792,730	0.032	23.64
2016	33,730	2,664,071,469	410,000	14,605	395,395	0.015	11.72
2017	33,730	2,664,071,469	-	-	-	-	-
2018	35,180	3,907,144,310	-	-	-	-	-
2019	35,740	4,647,525,212	-	-	-	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. City GO Debt was paid off in 2017.

<sup>1</sup> This is the amount restricted for debt service principle payments.

<sup>2</sup> See Statistical Table 6 for assessed value of taxable property data.

<sup>3</sup> See Statistical Table 15 for population data.

**City of Mount Vernon  
Legal Debt Margin Information  
Last Ten Years**

Table 12

4,647,525,212

Debt Limit with vote (1% of assessed value)  
Debt limit without vote (1 1/2% of assessed value)

46,475,252  
69,712,878

General obligation bonds with vote  
General obligation bonds without vote  
Total debt applicable to limit

-  
-  
\$ 116,188,130

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Purpose Debt Limit	\$ 68,668,242	\$ 63,596,864	\$ 59,897,845	\$ 60,554,919	\$ 61,403,349	\$ 62,063,384	\$ 66,601,787	\$ 70,628,447	\$ 97,678,608	\$ 116,188,130
Total debt applicable to limit	3,255,000	2,760,000	2,245,000	1,725,000	1,185,000	805,000	410,000	-	-	-
Legal debt margin	\$ 65,413,242	\$ 60,836,864	\$ 57,652,845	\$ 58,829,919	\$ 60,218,349	\$ 61,248,384	\$ 66,191,787	\$ 70,628,447	\$ 97,678,608	\$ 116,188,130
Total debt applicable to the limit as a percentage of debt limit	4.74%	4.34%	3.75%	2.85%	1.93%	1.30%	0.62%	0.00%	0.00%	0.00%

<sup>1</sup> Source: Skagit County Assessor

Note: Under state law voters may approve general obligation debt issues of up to 7.5% of assessed valuation.

This 7.5% debt capacity is allocated evenly among general purposes, parks/open space, and utilities resulting in 2.5% limit for each. There is \$0 debt applicable to the parks/open space or utilities limit, thus these debt limits are not shown above.

Within the 2.5% general purposes debt limit, shown above, the City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

**City of Mount Vernon  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2019**

**TABLE 13**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt:			
City of Mount Vernon	\$ 530,000	100.00%	\$ 530,000
Overlapping Debt:			
Skagit County	14,644,550	17.90%	2,621,374
Mount Vernon School District #320	102,214,000	81.00%	82,793,340
Sedro Woolley School District #101	9,000,000	100.00%	9,000,000
Port of Skagit County #2	26,783,659	28.00%	7,499,425
Hospital District #1**	54,989,549	66.00%	36,293,102
Hospital District #304	-		-
Total Overlapping Debt:	<u>\$ 207,631,758</u>		<u>\$ 138,207,241</u>
Total Direct and Overlapping Debt	<u>\$ 208,161,758</u>		<u>\$ 138,737,241</u>

Source: Skagit County Treasurer, Skagit County Assessor and appropriate district finance offices

\* Applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Mount Vernon.

\*\* Due to the Covid pandemic, Net outstanding debt for the hospital is not available at this time. This balance reflects the 2018 balances.

**City of Mount Vernon  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

**TABLE 14**

<b>Wastewater Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Utility Service Charges</b>	<b>Less:</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Operating Expenses <sup>1</sup></b>		<b>Principal</b>	<b>Interest</b>	
2009	7,069,798	4,096,749	2,973,049	-	-	na
2010	7,402,860	3,902,653	3,500,207	-	-	na
2011	7,806,825	4,061,444	3,745,381	-	-	na
2012	7,823,520	4,186,178	3,637,342	-	-	na
2013	8,306,667	4,229,398	4,077,269	-	-	na
2014	8,191,514	4,371,075	3,820,439	-	-	na
2015	8,161,734	4,359,037	3,802,697	-	-	na
2016	8,366,454	4,298,192	4,068,262	-	-	na
2017	8,383,025	4,859,483	3,523,542	-	-	na
2018	8,423,358	4,857,031	3,566,327	-	-	na
2019	8,449,376	5,750,619	2,698,757	-	-	na

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements

<sup>1</sup> Excludes depreciation and amortization and taxes

na - not applicable, revenue bonds paid off in 2008.

**City of Mount Vernon  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Table 15**

Fiscal Year	City Population <sup>(1)</sup>	Skagit County Total Personal Income <sup>(2)</sup> (in thousands)	Skagit County * Per Capita Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Skagit County * Unemployment Rate % <sup>(4)</sup>
2008	30,150	4,515,551	38,992	5,758	6.1%
2009	30,800	4,406,279	37,804	5,744	9.6%
2010	31,743	4,405,328	37,650	5,849	10.4%
2011	31,940	4,623,415	39,262	6,010	10.1%
2012	32,250	4,899,364	41,525	6,256	9.2%
2013	32,710	4,980,925	41,970	6,243	8.3%
2014	33,170	5,470,781	43,481	6,375	6.9%
2015	33,530	5,470,781	44,944	6,628	6.7%
2016	33,730	5,759,169	46,565	6,755	6.8%
2017	34,360	N/A	49,505	6,400	5.8%
2018	35,180	N/A	53,060	6,163	5.4%
2019	35,740	N/A	53,060	6,154	4.0%

N/A - Not Available

Sources: (1) Washington State Office of Financial Management

(2) Bureau of Economic Analysis - Regional Economic Accounts/Local Area Personal Income

(3) Mount Vernon School District

(4) United States Bureau of Labor Statistics

Note: \* Data is only available at the County level

**City of Mount Vernon  
Principal Employers  
Current Year and Ten Years Ago**

**Table 16**

<u>Employer</u>	<u>2018</u> <sup>1</sup>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County</u> <sup>2</sup> <u>Employment</u>	<u>Employees</u> <sup>1</sup>	<u>Rank</u>	<u>Percentage of Total County</u> <sup>2</sup> <u>Employment</u>
Skagit Regional Health <sup>3</sup>	2,110	1	3.77%			
Mount Vernon School District	805	2	1.44%	791	1	1.42%
Skagit County	636	3	1.14%	695	2	1.25%
Skagit Valley College	436	4	0.78%	296	5	0.53%
Walmart	307	5	0.55%	270	7	0.49%
City of Mount Vernon	210	6	0.38%	211	9	0.38%
Lowes Hardware	123	7	0.22%	155	10	0.28%
Skagit Gardens	111	8	0.20%	265	8	0.48%
Perdue Foods, LLC <sup>4</sup>	94	9	0.17%	553	3	1.00%
Skagit Publishing	68	10	0.12%			
Skagit Valley Hospital <sup>3</sup>	na			390	4	0.70%
Skagit Valley Medical Center <sup>3</sup>	na			326	6	0.59%
<b>Total</b>	<b>4,900</b>		<b>8.75%</b>	<b>3,952</b>		<b>7.12%</b>
<b>Total County Employment</b> <sup>2</sup>	<b>55,973</b>			<b>55,530</b>		

<sup>1</sup> Data for current year compiled from internal Business License data, Washington State Department of Labor & Industries, and self reporting by business

<sup>2</sup> Total employment data only available at County level *Source: Washington State Employment Security*

<sup>3</sup> Skagit Valley Hospital and Skagit Valley Medical Center joined in 2010 to form Skagit Regional Health.

<sup>4</sup> Formerly Draper Valley Farms

\*\* Due to websites not being updated, and access to entites being limited due to COVID-19, the 2019 data was not available. This represents 2018 data.

**City of Mount Vernon**  
**Full-time Equivalent City Government Employees by Function/ Program**  
**Last Ten Fiscal Years**

**Table 17**

<b>Function/ Program</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<i>General Government</i>										
Administrative	15	15	15	15	16	16	16	17	18	18
Legal	6	3	3	4	4	4	4	4	4	4
Human Resources	1	1	1	1	2	2	2	2	2	2
Development Services	11	10	10	10	10	10	10	13	13	15
Public Works/ Engineering	10	10	10	10	10	10	10	11	11	10
Culture and Recreation	22	22	22	22	21	24	24	24	24	26
Street	9	9	9	9	8	8	10	10	10	10
<i>Security</i>										
Police	58	56	56	56	57	57	57	58	59	60
Fire	38	37	37	37	37	37	37	37	38	55
<i>Utility Services</i>										
Solid Waste	13	13	13	13	13	13	13	13	13	14
Wastewater Treatment	16	16	16	15	15	16	16	16	17	16
Surfacewater	-	-	-	-	1	1	1	1	1	2
<b>Total</b>	<b>199</b>	<b>192</b>	<b>192</b>	<b>192</b>	<b>194</b>	<b>198</b>	<b>200</b>	<b>206</b>	<b>210</b>	<b>232</b>

Source: City Finance Department

**City of Mount Vernon  
Capital Asset Statistics by Function/ Program  
Last Ten Fiscal Years**

**Table 18**

Function/ Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	51	47	48	48	52	52	57	50	57	56
<b>Fire</b>										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of fire engines/aerial ladders	4	6	5	6	6	5	5	6	5	5
Number of aid vehicles	4	4	3	3	3	3	3	3	4	7
<b>Transportation</b>										
Center lane miles of paved roads	121	122	122	122	124	125	126	126	126	126
Traffic signals	31	32	32	32	32	32	32	31	31	31
<b>Culture and Recreation</b>										
Number of developed parks	13	13	13	13	13	13	13	13	13	13
Number of undeveloped parks	6	6	6	6	6	6	6	6	6	6
Number of items in library collection	87,524	90,012	89,231	88,964	86,556	86,469	88,204	85,222	73,123	70,030
Miles of trails	22.7	23.7	24.7	25.03	25.03	26.03	26.25	26.25	26.75	26.75
<b>Sewer</b>										
Miles of mainline	123	122	122	122	124	125	126	127	127	129
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
<b>Solid Waste</b>										
Number of collection vehicles	15	17	13	13	15	17	15	14	15	16
Number of dumpsters	802	971	971	980	1,052	1,062	1,100	1,175	1,211	1,211
Number of residential garbage carts	8,930	8,332	8,327	9,179	10,210	10,310	10,700	11,000	11,000	11,000
<b>Stormwater</b>										
Detention ponds	92	92	92	93	89	43 <sup>2</sup>	42	42	42	50 <sup>3</sup>
Miles of collection lines	116	114	115	115	117	119	120	121	121	123

<sup>1</sup> Increase in number of parks due to inclusion of parking lot rest areas as parks.  
<sup>2</sup> Decrease in number of detention ponds due to previous inclusion of non-owned, but City maintained ponds.  
<sup>3</sup> GIS reports for detention ponds were not pulling up the new ponds corrected the error in 2019.

Source: City Departments

**City of Mount Vernon  
Operating Indicators by Function/ Program  
Last Ten Fiscal Years**

**Table 19**

Function/ Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police</b>										
Calls for service	21,270	20,748	21,011	20,787	21,276	21,809	23,001	23,921	23,921	23,921
Active Block Watch Groups	83	83	108	108	108	108	100	100	100	100
<b>Fire</b>										
Calls for service	4,378	4,044	4,044	4,376	4,672	4,855	5,005	5,995	6,103	6,103
Average response time - minutes	7:50	8:38	8:38	8:15	7:25	7:18	7:43	7:14	7:06	7:06
Fire prevention inspections	1,200	1,629	1,629	1,614	2,895	1,573	1,135	2,176	1,916	1,916
<b>Culture and Recreation</b>										
Number of registered Park activity participants	9,332	9,793	8,647	9,572	12,445	8,691	9,114	8,823	9,577	8,200
Number of registered Library activity participants	13,409	15,133	15,793	13,716	14,753	15,301	15,597	16,650	15,668	18,537
Number of Park facility rentals <sup>1</sup>	2,246	1,852	1,607	2,136	1,069	1,387	1,610	1,265	1,265	1,160
Number of resident library cards	6,978	6,700	6,543	6,293	6,583	6,348	6,106	5,982	5,788	5,731
<b>Sewer</b>										
Number of gallons processed (billions)	1,279	1,456	1,516	1,347	1,515	1,365	1,306	1,342	1,382	1,186
Dry tons of biosolids	453	571	454	503	548	514	615	680	614	603
<b>Solid Waste</b>										
Solid waste tonnage	16,778	16,424	16,479	17,078	17,324	18,710	19,140	19,741	19,890	19,874
Residential garbage accounts	8,077	7,866	7,831	8,115	8,422	8,522	8,740	8,941	9,060	8,850
Commercial garbage accounts <sup>2</sup>	995	1,275	1,290	1,328	1,351	1,362	1,416	1,419	1,149	1,526
Curbside recycling tonnage	2,362	2,411	2,434	2,415	2,463	2,636	2,622	2,635	2,635	2,262
<b>Stormwater</b>										
Detention ponds cleaned/ mowed	30	41	41	40	43	52	104	249	249	516
Linear feet of pipe cleaned	82,189	80,222	64,865	68,920	60,893	52,867	48,551	58,537	58,537	81,654
na- Not Available										

<sup>1</sup> 2010 facility rentals counts expanded to include Picnic Shelters

<sup>2</sup> Methodology for categorizing Commercial garbage accounts changed after 2009.

Source: City Departments

# The End

