Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ridgefield

For the period January 1, 2022 through December 31, 2022

Published July 10, 2023

Report No. 1032833

Office of the Washington State Auditor
Pat McCarthy

July 10, 2023

Mayor and City Council
City of Ridgefield
Ridgefield, Washington

Report on Financial Statements

Please find attached our report on the City of Ridgefield's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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

Mayor and City Council
City of Ridgefield
Ridgefield, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Ridgefield
Ridgefield, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 21, 2023

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

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The City of Ridgefield's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended December 31, 2022. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow. The City of Ridgefield is reporting on a government-wide basis as required by the GASB 34 reporting standards.

FINANCIAL HIGHLIGHTS

- City of Ridgefield assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $173.2 million, a $17.7 million, 11.4 percent, increase from 2021. This is primarily the result of an increase in capital contributions of $3.8 million and prior period recognized capital contributions of $4.3 million.
- Net Investment in Capital Assets account for about 80.4 percent of net position, with a value of $139.2 million.
- Of the remaining 19.6 percent of net position that totals $34 million, approximately $20.4 million is restricted to fund capital projects. The unrestricted net position is $8.5 million, which may be used to meet the government's ongoing obligations to citizens and creditors, without legal restrictions.
- The City's governmental funds reported combined ending fund balances of $23.8 million with $4 thousand nonspendable for prepaids, $11.1 million restricted for capital related purposes, $3 million restricted for building permit related activities, $9 thousand restricted for public safety related activities, $67 thousand restricted for economic environment, $1.5 million assigned by the City to be used for specific purposes, and $8.1 million allocated to unassigned fund balance and not assigned for any specific purpose.
- Debt associated with governmental activities bonds, notes and loans payable decreased by approximately $635 thousand. The City increased private placement loans by $472 thousand for the purchase of equipment. The increase was offset by routine debt service payments. The liability associated with developer impact and system development charge credits had a net decrease of $2.5 million ending the year at $3.9 million. The impact fee liability outstanding on December 31, 2022, is associated with traffic and park impact fee credits. Business-type activity debt associated with governmental loans reflected a slight decrease of approximately $15 thousand due to routine debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provide an introduction and overview to the City of Ridgefield's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other supplementary information in addition to the basic financial statements. This financial discussion and analysis should assist the reader in understanding the City's financial condition.

Basic financial statements

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial section of this report also contains the required supplementary information, in addition to the basic financial statements.

Government-wide financial statements

Government-wide financial statements provide readers with a broad overview of the City of Ridgefield's finances in a manner similar to a private-sector business, distinguishing functions of the City of Ridgefield that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of the City of Ridgefield include a full range of local government services provided to the public, such as law enforcement and public safety; road construction and maintenance; community planning and development; parks and recreation facilities; and other community services. In addition, other general government services are provided, such as tax collection, general administration and the issuance of permits and licenses. The business-type activities of the City of Ridgefield include water and storm water drainage utility management and operation.

The statement of net position
The statement of net position presents information on all of the City of Ridgefield's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The statement of activities
The Statement of Activities presents information showing how the government's net position changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a specific program). This shows the extent each program relies on taxes for funding. All changes in net position are reported using the accrual basis of accounting, which requires that revenues be reported when they are earned, and expenses are reported when the goods and services are received. Items such as uncollected taxes, unpaid vendor invoices for items received in 2022, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed in 2022.

Fund financial statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ridgefield, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All the funds of the City fall into two categories: governmental funds and proprietary funds. Governmental Funds account for most, if not all, of a government's tax-supported activities. Proprietary Funds account for a government's business-type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities.

Governmental funds
The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, Capital Projects Fund, and Real Estate Excise Tax Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focal point of governmental fund financial statements is narrower than that of government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities' column in the government-wide statements, facilitating this comparison.

The City maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. Personnel services are budgeted by position and by prorating the costs based on time allocation to the various funds. Budgetary variances are discussed later in this section.

Proprietary funds
There are two types of proprietary funds – enterprise and internal service, and currently, the City uses one type of proprietary fund, which is an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The two enterprise funds used to account for the utility operations and capital projects are water and storm water drainage.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business-type column on the government-wide Statement of Net Position, the total net position agrees, and therefore needs no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Notes to the financial statements
The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position
As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Ridgefield's net position total equals $173,248,227. The following is a condensed version of the Government-Wide Statement of Net Position:

City of Ridgefield's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021*	2022	2021*	2022	2021*
Current and other assets	$ 27,302	$ 29,133	$ 13,558	$ 12,568	$ 40,860	$ 41,701
Capital assets (Net of depr)	117,409	106,678	43,856	42,030	161,265	148,708
Total Assets	144,711	135,811	57,414	54,598	202,125	190,409
Deferred outflows of resources	1,465	466	587	399	2,052	865
Other liabilities	7,268	9,497	1,169	1,039	8,437	10,536
Long-Term liabilities	20,349	20,984	262	278	20,611	21,262
Total Liabilities	27,617	30,481	1,431	1,317	29,048	31,798
Deferred inflows of resources	1,648	3,321	233	590	1,881	3,911
Net Position:						
Net Investment in capital assets	95,689	84,581	43,551	41,713	139,240	126,294
Restricted	16,090	19,863	9,467	8,891	25,557	28,754
Unrestricted	5,132	(1,970)	3,318	2,486	8,450	516
Total Net Position	$ 116,911	$ 102,474	$ 56,336	$ 53,090	$ 173,247	$ 155,564

*Certain balances from 2021 have been restated to conform to current year presentation.

The largest portion of current and other assets is cash and investments which comprised $35.9 million at the end of 2022 compared to $34.3 million at the end of 2021. The increase in cash is due to a number of factors during 2022, which primarily drove an increase of cash and investments in governmental Activities.

The City received approximately $1.3 million in American Rescue Plan Act (ARPA) funds. The remainder of the increase can be attributed to increases in property taxes, sales and use tax and utility taxes related to the growth of the City. Capital assets, net of accumulated depreciation increased $12.6 million. This was mainly due to additions of capital assets through donations and contributions, which for the total government was $5.9 million in the current year, with a prior period adjustment to recognize an additional $4.3 million. Routine depreciation offset this significant increase in capital assets. Additionally, there was a decrease in the Net Pension Asset during 2022 that decreased from $4.4 million in 2021 to $2.1 million in 2022. This significant swing was a result of the PERS 2/3 plan.

Governmental activities long-term liabilities had a net decrease of approximately $412 thousand due to routine debt service payment for both general obligation and direct placement bonds, offset by a $305 thousand increase in net pension liability combined with the additional private placement loan for equipment. Business-type activity debt associated with governmental loans has a slight decrease. Overall Business-type long-term liabilities increased due to the increase of asset retirement obligations and net pension liability.

Investment in capital assets, less any related debt used to acquire those assets that are still outstanding, represents 80.4% of the City's net position, totaling $139.2 million. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. At the end of 2022, the City also had a net position of $25.6 million or 14.8% of the total that was subject to external restrictions on how these funds can be spent. This decreased $3.2 million due to two key factors; $2.3 million decrease related to the Net Pension Asset and the City using cash that was restricted for capital projects and building activities.

The remaining balance is unrestricted net position and represents the amount that may be used to meet the City's ongoing obligations. The City is presenting $8.5 million in unrestricted net position in the government wide fund statements, an increase of $7.9 million over 2021.

Statement of Activities

The City's total Net Position increased by $17.7 million, ending at $173.2 million. The following is a condensed version of the Statement of Activities for the City. The full statement is a tabular depiction of the relationship between revenues and expenses for the City's governmental activities and proprietary funds.

City of Ridgefield's Statement of Activities (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 9,166	$ 12,001	$ 3,823	$ 3,723	$ 12,989	$ 15,724
Operating grants/contributions	1,349	1,402	-	-	1,349	1,402
Capital grants/contributions	8,755	18,086	3,448	6,691	12,203	24,777
General revenues:						
Property taxes	1,941	1,723	-	-	1,941	1,723
Sales taxes	4,402	4,079	-	-	4,402	4,079
Utility taxes	1,814	1,548	-	-	1,814	1,548
Excise taxes	2,826	3,389	-	-	2,826	3,389
Interest income	(342)	(28)	(171)	(12)	(513)	(40)
Other revenue	278	430	-	-	278	430
Total Revenues	30,189	42,630	7,100	10,402	37,289	53,032
Expenses:						
General Government	2,712	2,550	-	-	2,712	2,550
Public Safety	3,137	2,064	-	-	3,137	2,064
Physical Enviornment	1,210	1,234	-	-	1,210	1,234
Transportation	3,132	3,232	-	-	3,132	3,232
Economic Environment	2,099	1,534	-	-	2,099	1,534
Education	5,210	7,526	-	-	5,210	7,526
Culture and Recreation	1,770	1,261	-	-	1,770	1,261
Interest on L-T Debt	682	682	-	-	682	682
Water	-	-	2,741	2,621	2,741	2,621
Sew er	-	-	1,209	1,181	1,209	1,181
Total Expenses	19,952	20,083	3,950	3,802	23,902	23,885
Excess (deficiency) before transfers	10,237	22,547	3,150	6,600	13,387	29,147
Transfers	(5)	-	5	-	-	-
Change in Net Position	10,232	22,547	3,155	6,600	13,387	29,147
Beginning Net Position	102,474	79,927	53,090	46,490	155,564	126,417
Prior Period Adjustment	4,205	-	92	-	4,297	-
Ending Net Position	$ 116,911	$ 102,474	$ 56,337	$ 53,090	$ 173,248	$ 155,564

Governmental Activity Analysis
Charges for Services was the largest source of revenue in 2022 accounting for 30.4% of governmental activity revenue sources. Economic Environment activity represents 88.4% of all Charges for Services Revenues. School, Transportation and Parks Impact Fees are the most significant component of the Economic Environment Charges for Services. This revenue stream is directly related to both residential and commercial construction. Residential construction decreased in 2022, while commercial construction has increased to meet the demand created by prior years residential construction.

All tax revenue sources reflect a $244 thousand dollar increase over the prior year. Excise tax decreased $563 thousand following the large increase in 2021. This decrease was offset by an $807 thousand dollar increase in other tax revenue sources. The most significant component of the Excise tax revenue source is the Real Estate Excise Tax (REET) which decreased $1.1 million over the prior year. REET is calculated based on the full selling price of real property, including the amount of any liens, mortgages, and other debts given to secure the purchase. The tax is due at the time of sale and is collected by the county when the documents of sale are presented for recording. From December 2021 to December 2022, the median selling price of a home in Ridgefield decreased from $584 thousand to $529 thousand resulting in much of the decrease of REET. This fall in median sale price combined with a decrease in the quantity of houses sold has resulted in this drop in REET.

The largest source of tax revenue continues to come from sales and use tax. Sales and use taxes totaled $4.4 million, accounting for 40.1% of the total tax revenue, up from 38% in 2021. The increase in sales and use tax percentage of overall taxes was due to the decrease in the REET. The leading driver of general retail sales tax remained the construction and building activities at 38.7% of overall sales and use tax. Property taxes totaled $1.9 million, up $217 thousand dollars from 2021, and accounting for 17.7% of the total tax revenue. The Washington State Constitution limits the total annual regular property tax increase to 1% of the prior year's tax levy plus new construction. In 2022 the City had a $318.7 million increase in assessed value due to new construction.

Total governmental expenses, not including transfers equaled $20 million with 26.1% of this amount for educational expense, for the collection and remittance of school impact fees, which decreased during 2022 as a direct correlation to the decrease in the residential permitting. 55.5% of expense was associated with four programs: general government, public safety, transportation, and economic environment each representing 13.6%, 15.7%, 15.7% and 10.5% respectively of the total governmental activities expense. Combined, this is an increase from 46.7% of these four combined in the prior year. The governmental activities expenses overall decreased 0.7% or $131 thousand when compared to 2021. In 2022 Public safety expense increased 52% or $1.1 million, general government increased $162 thousand or 6.4%, and economic environment increased 36.8% or $565 thousand in 2022 when compared to 2021. These increases are due to increased salaries and benefits due to additional staff added to manage the increased growth in the City. Transportation expenses decreased 3.1% due to lower expenditures for repairs and maintenance expenses that did not qualify for capitalization.

Business-Type Activities Analysis
Capital grants and contributions decreased 48.5%, or $3.2 million, when compared to 2021. The decrease is related to donated assets from developers due to lower development activity in 2022 as compared to the high level of activity in 2021. Of the $3.5 million balance in 2022, 61.8% is from contributed assets. Both Water and Storm Water had significant capital contributions during 2022. Capital contributions come from private developers and are recorded either when an asset is completed and accepted by the City or when a developer uses a system development charge credit. Credits are issued to developers as "payment" for assets they construct that benefit the City above and beyond their development and are assets identified in the City's capital facility plan. Once the asset is constructed and donated to the City, the total amount of credit is determined and issued to the developer. Credits are used in place of payment of the system development charge that would've been charged when a building permit is issued. At the end of 2022 there was $154 thousand in water system development charge credits outstanding. Developer contributed assets

comprised of water and storm water infrastructure, such as water pipelines and storm water drainage facilities.

Charges for services for the water and storm water drainage utility increased by just under $100 thousand. This increase occurred because of a 2.1% revenue decrease in the Water Utility and a 15.9% revenue increase in the storm water drainage utility. There was no water rate increase in 2022. Storm water saw a 3.3% rate increase in 2022. The storm water rate increases, along with increased equivalent dwelling units (EDU) due to new commercial development, was the reason for the increase in charges for services.

Summary of Total Government Activities
Overall, the City's financial position improved from 2021 to 2022 with net position increasing by $17.7 million or 11.4%. The main reasons for the increase are from increased capital grants and contributions, increased tax revenues and other revenue sources remaining stable or slightly increased while expenses increased at a slower rate than the revenue growth.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis
The City uses fund accounting to ensure compliance with legal requirements and to assist in the budgeting and operations of the different activities of the City. The governmental funds are categorized into four fund types, general fund, special revenue funds, debt service fund and capital project funds. Each fund type has its unique purpose. Three of these funds are classified as major funds for the purposes of this report, based on criteria set forth by the Governmental Accounting Standards Board (GASB). Those funds are the General Fund, used for traditional government purposes and the Capital Projects Fund, a fund used to record the acquisition and construction activities associated with governmental fund type assets. The Real Estate Excise Tax Fund (REET) was established to account for taxes that are restricted for capital purposes. Resources are typically transferred to other funds as they are needed. Other governmental funds classified as non-major funds and reported under Other Governmental Funds, are the Street Fund, used to record the receipt and payment of funds used to pay for the maintenance of streets that reside within the city limits, and the Drug Fund used to record the receipt and payment towards activities and equipment for drug enforcement prevention and policing, the Affordable Housing fund used to collect funds from sales and use tax dedicated to addressing affordable housing for low income residents; and the Transportation Benefit District Fund, used to record the receipt of public transportation taxes and the approved capital related expenses for transportation related projects. The Park Impact Fee Fund, used to record the receipt of park impact fees received as part of a permit issued for new development; and the Traffic Impact Fee Fund, also used to record the receipt of traffic impact fees received as part of a permit issued for new development.

When reviewed on a separate fund basis, the General Fund's fund balance increased 12.6% as a result of 2022 operations. The General Fund beginning year fund balance was $11 million and ended 2022 at $12.4 million. The four largest sources of revenue came from sales and use taxes, charges for services, utility, and property taxes with each comprising 24.3%, 39.0%, 9.5% and 10.8%, respectively, of the total revenue. Sales and use taxes reflect an 8.2% increase, or $331 thousand due to the continued strength of building and construction activity and the opening of multiple new retail businesses in Ridgefield. Charges for Services decreased $2.3 million or 24.8% compared to 2021, which was the result of a decrease in School Impact Fees. Utility revenue increased and replaced license and permits as one of the top four sources of revenue in 2022. The significant growth in retail construction in 2021 resulted in an increase in the number of utility customer accounts in 2022. In 2022, the City issued 361 Single-family residential permits, 30 commercial building permits and 480 miscellaneous permits; compared to 648 Single-family residential permits, 22 commercial building permits and 1,046 miscellaneous permits in 2021. As noted earlier in this discussion, the Washington State Constitution limits the total annual regular property tax increase to 1% of the prior year's levy plus new construction. The City had a $318.7 million increase in assessed value due to new construction. The new construction is the key driver for the increased property tax revenue. Current expenditures in the General Fund decreased $90 thousand or 1% from 2021 to 2022. The most significant decrease in expenditures, both with respect to the amount and percentage increase is in the Education function. This expenditure decreased $2.3 million or 30.8%. The Education expenditures account for the payment to the Ridgefield School District of the School Impact Fee revenue collected during the building permitting process. As permits have decreased the related School Impact Fees have decreased. Other current expenditure areas reflected growth; general governmental, public safety and economic environment, with increases of 19.5%, 28.7% and 27% respectively. The majority of these increases are related to increases in salaries and benefits. Capital outlays reflected a significant increase from 2021, increasing by $396 thousand or 92.7%. The increase is specifically related to an increase in equipment capital purchases.

The Capital Projects Fund posted over $1.2 million in total revenues, $5.4 million in total capital outlay expenditures, $4.5 million in transfers in from other funds, and $250 thousand in principal retirement. Revenues from intergovernmental sources decreased from 2021, from $714 thousand to $359 thousand. This is directly related to grant funding and timing of expenditures for grant reimbursements. In 2021, grants were related to Gee Creek Trail, I-5 South access planning, the YMCA, and Hillhurst Overlay. In 2022, grants were received for the North 8th street/Simons Street project, the Gee Creek Trail project, the YMCA project and finally the electric vehicle infrastructure project. Additionally, the fund received a total of $4.5 million in transfers from other funds, up from $1.8 million in 2021. The fund also retired $250 thousand of debt principal in 2022 related to the acquisition in 2021 of land for a park development.

The REET Fund posted just under $2 million in total revenues and $1.4 million in transfers to other funds. Real Estate Excise Tax (REET) decreased $1.1 million over the prior year. REET is calculated based on the full selling price of real property, including the amount of any liens, mortgages, and other debts given to secure the purchase. The tax is due at the time of sale and is collected by the county when the documents of sale are presented for recording. From December 2021 to December 2022, the median selling price of a home in Ridgefield decreased from $584 thousand to $529 thousand resulting in much of the decrease of REET, combined with a decrease in the quantity of houses sold has resulted in this drop in REET. The REET revenue is used primarily to support debt service and to fund capital asset projects and the acquisition of land and facilities.

The Net Change in Total Governmental Funds fund balance increased overall by $96 thousand with an increase in the General Fund of $1.4 million, an increase in the Capital Projects fund of $12 thousand, an increase in the REET fund of $555 thousand and decreases in the Non-Major Governmental Funds of just under $1.9 million. Total fund balance ended at $23.8 million, and out of this amount, $4 thousand is nonspendable due to prepaids, $14.3 million is restricted for capital projects or to make major capital purchases, public safety activities and building permit related activities, $1.5 million is assigned for specific purposes, such as to use for equipment repair, or vehicle replacement, and $8.1 million is unassigned and can be used to fund the ongoing operations of the City.

Business-Type Fund Analysis

Proprietary funds are those funds that account for government operations where the intent is for costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the City, or to other governmental units. The City has two major Business-Type enterprise funds - Water and Storm Water Drainage.

The two major funds had a combined net position of $56.3 million. These funds had a combined operating loss of $108 thousand, which was an increase in operating losses, when compared to the operating loss of $47 thousand in 2021. Further, when reviewed on a separate fund basis, the operating income/loss by fund equates to loss in the Water Fund of $52 thousand, and a loss in the Storm Water Drainage Fund of $56 thousand. The operating loss for the Water Fund increased from $154 thousand income in 2021 to a loss of $52 thousand in 2022, an overall decrease of $206 thousand. This is due to an increase in salaries and benefits, repair and replacement of fire hydrants and professional services. The operating loss for the Storm Water Drainage Fund decreased from $197 thousand in 2021 to $56 thousand in 2022. This decrease in operating loss is due to the budgeted increase in service charges, slightly offset by the increase in salaries and benefits. Both funds had significant capital contributions during the year; $1.9 million for Water and $1.5 million for Storm Water. The Water Fund received $1.3 million in cash for payment of system development charges with the remainder being donated capital assets. Storm Water's capital contributions were all related to capital asset donations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City appropriates funds through an annual budget process. Budget amendments are made throughout the year as needed and approved through adoption of an ordinance by the city council. State law allows funds to be expended if authorized by an ordinance amending the original budget.

The purpose of the General Fund is to provide for traditional government programs, which include the city council, executive management, legal, finance, human resources, general administration, general/facilities, information technology, public safety, cemetery, community development and parks. Taxes are the major source of revenue within the General Fund. Licenses and permits offer a significant resource to support community development and building activities. Transfers from other funds through an Indirect Cost Allocation Plan provide funding for expenses that are budgeted in the General Fund that benefit all funds for the City. The General Fund also provides support to other funds for debt service, street maintenance, and capital improvements.

The General Fund final budgeted expenditures, including transfers out, reflects an increase of $246 thousand or a 1.6% change from the 2022 original budget. The final 2022 budget increase in the General Fund was primarily related to a $360 thousand increase in Capital Outlay, slightly offset by a decrease in transfers out of $210 thousand. The increase was primarily related to parks and public safety capital expenditures. The General Fund actual revenues closed the year at 94% of the final 2022 amended budget.

The General Fund, by policy, does not budget for Educational expenses which represent the payment of School Impact Fees collected during the building permit process and remitted to the Ridgefield School District. The General Fund, additionally, does not budget for issuance of debt or capital outlay expenditures related to leasing activities when the City acts as the lessee. The final expenditures budget, including transfers, was $15.3 million. Refer to Note 3 (Stewardship, Compliance and Accountability) for additional details.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Ridgefield's investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to $161.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, streets, wells, water reservoirs, water pipelines and storm sewer pipelines, storm water facilities, system improvements, capital leases, machinery and equipment, park facilities, trail system, and construction in progress. The total government-wide capital assets increased in 2022 by a net of $12.6 million or 8.4%. Infrastructure, such as water distribution lines, roads, new parks and trails that are constructed by developers become the assets of the City once the engineering department approves the development as complete. Infrastructure assets account for 25.2%, or $3.2 million, of the increase. This increase is directly related to developer contributions of infrastructure assets with $2.9 million being donated for Transportation infrastructure, $1.5 million in Storm Water infrastructure and $561 thousand for Water infrastructure. In 2022 a prior period adjustment was recorded for donated capital assets totaling $4.3 million. Of these donated assets $1.3 million was for transportation, $2.9 million for parks, $38 thousand for water, and $55 thousand for Storm Water. The increase was offset by routine depreciation.

Assets added pertain to City constructed and/or purchased assets such as the purchase of park land located at N 51st and Pioneer Street, fire hydrant replacements, a new vacuum truck equipment asset, and Hillhurst Road crossing signals. Capital asset detail in thousands is as follows:

	Governmental Activities		Business Activities		Government Wide	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Land	$ 12,196	$ 9,581	$ 374	$ 374	$ 12,570	$ 9,955
Construction in Progress	5,384	1,965	806	572	6,191	2,537
Intangibles	2,979	248	218	239	3,198	486
Buildings	4,751	4,856	784	802	5,535	5,658
Equipment	2,942	2,305	2,028	2,069	4,970	4,374
Infrastructure	87,921	86,426	39,608	37,935	127,529	124,362
Intangibles Right to Use	1,236	1,298	38	39	1,274	1,337
	117,409	$ 106,678	$ 43,856	$ 42,030	$ 161,265	$ 148,709

Additional information on the City of Ridgefield's capital assets can be found in Note 6 (Capital Assets) of the notes to the financial statement of this report.

Long-Term Debt
The City had a total long-term debt outstanding of $20.6 million. Out of this amount, $20.3 million pertains to general government and $262 thousand pertains to the business-type activities.

The City's total debt decreased $651 thousand from 2021 to 2022. During 2022, the City issued $472 thousand in private placement loans to be used for capital purchases for governmental activities and retired $1.1 million due to debt service payments. No debt was issued for business type activities.

Additional information on the City's long-term debt can be found in Note 9 (Long-term Debt) of the notes to the financial statement in this report.

Economic Outlook and Future Conditions
The City of Ridgefield has been the fastest growing city, by percentage, in Washington since the census conducted in 2010. Development in the City of Ridgefield exploded in the early to mid-2000 timeframe. As a result, the City increased staff and completed much needed capital projects to support growth projections. In 2008 the nation entered a great recession and Ridgefield suffered economically due to the dependence on growth related revenue sources. The City Council and management made difficult and necessary decisions to reduce staffing and focus on core services during the recession. Staff and Council reduced expenditure and trimmed the budget to ensure the City was not operating at a deficit. As a result, the City was able to make it through the recession with limited impact on financial stability. The Great Recession helped define the City's financial outlook going forward. As the City began to rebound from the recession, the Council adopted targeted reserves policies, to ensure fiscal sustainability in the event another economic downturn occurred. Due to the decisions the Council made, the City was able to build reserves and identify funding sources for much needed infrastructure, which promoted growth in commercial retail. The City experienced a second explosion in growth in 2015 with residential building and commercial retail beginning in 2018. As a result of the commercial retail construction the city has increased sustainable revenue sources that have allowed the city to maintain and improve service levels for residents.

The residential and commercial growth has continued despite the economic downturn from the Covid-19 public health crisis. Due to comprehensive financial policies and strong reserve balances the City was able to continue to offer core services with limited interruptions in a difficult time. The City continues to maintain a conservative budget approach, maintaining core service levels. while budgeting ongoing revenues to support ongoing expenditures to ensure the City is not facing a structural deficit.

The City continues to monitor economic changes in our region and in the national landscape. The City has seen reduced single family residential permits issued in 2022 when compared to the previous two years. Due to the reduced housing starts, development revenues and construction related sales tax revenue are reduced from prior year estimates. Current land use applications have increased for commercial retail projects and staff are forecasting increased ongoing sales tax revenues as those projects complete in the 2023 – 2025 timeframe. We have seen an improving economy in the Ridgefield area; however, the pandemic continues to weigh on industries such as tourism, restaurants, and many small businesses. Many businesses are struggling to fill job openings and supply chain issues have caused inflationary pressures on residents and the City. The City has seen increased costs for public works construction projects, basic services and supplies that support the public services provided to Ridgefield residents.

The City has continued to embrace a combination of remote and in-office work for staff who are able to complete their duties online. The City will monitor the effectiveness to ensure there is no loss of efficiency. The ability to offer a flexible work environment may provide the City with a benefit when recruiting new employees in positions that allow for a flexible work schedule.

As a result of being the fastest growing city in Washington since 2010, the City continues to plan for the needed infrastructure to support the growth. The council has adopted policies that require growth pays for growth. Developers pay impact fees and system development charges to pay their share of growth-related projects. The City continues to work with Regional, State, and Federal partners to find additional funding options to add to local and developer funds to build the infrastructure to support the tremendous growth in Ridgefield.

Local governments including the City of Ridgefield continue to be on watch for potential threats as a result of State and Federal legislation that may shift funding burdens to local governments through elimination of grant funding or shared allocation changes, increase costs through tax policy decisions, or impose unfunded mandates through regulatory actions. The City works with both state and federal affairs consultants as well as various trade organizations to promote the City's platform on these issues.

The 2022 budget reflected a conservative outlook due to regional and national economic concerns. Development has remained strong; while single family residential permitting was down in 2022 when compared to the previous two years, it was still elevated historically. Retail sales have picked up and the Ridgefield economy continues to grow, with a shift from residential growth to commercial growth, such as the new YMCA and commercial retail stores, including a new Costco at the I-5 junction. Sales tax revenues have transitioned from a construction related high of 61% of the overall tax receipts to a more manageable 39% overall. Continuing commercial retail development will reduce the reliance on construction activities over the next five years – the goal is to have construction related sales taxes at 20% - 25% in five years.

Due to the continued residential, job, commercial, and infrastructure development, the City is projecting an increase in property tax base and additional ongoing sales and use tax revenues as the economy rebounds. Staff are confident this will help set the City of Ridgefield up on a sustainable financial foundation for the future.

The City Council and staff have focused on maintaining a conservative budget and high efficiency in daily operations to reduce costs to City residents.

The City Council continues to adopt policies and provide a long-term vision that brings high quality services and development to Ridgefield. The City's staff are committed to the mission statement to provide superior services, build on a proud history, and meet challenges that are shaping the future of Ridgefield.

Requests for Information

This financial report is designed to provide a general overview of the City of Ridgefield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department, City of Ridgefield, PO Box 608, 230 Pioneer Street, Ridgefield, WA 98642.

CITY OF RIDGEFIELD, WASHINGTON
Statement of Net Position
December 31, 2022

Assets:	Governmental Activities	Business-type Activities	Total Primary Government
Cash and Cash Equivalents	$ 4,878,639	$ 1,467,234	$ 6,345,873
Investments	4,591,654	1,430,386	6,022,040
Receivables (Net of Allowance for Uncollectible)	1,505,644	503,668	2,009,312
Inventories	-	54,359	54,359
Prepaid Items	4,000	-	4,000
Restricted Assets			
Cash	10,101,624	6,949,447	17,051,071
Investments	4,138,352	2,318,013	6,456,365
Receivables (Net)	184,352	16,153	200,505
Other Noncurrent Assets	70,833	592,064	662,897
Capital Assets, Not Depreciated or Amortized	20,492,363	1,335,271	21,827,634
Capital Assets, Net of Depreciation or Amortization	96,916,239	42,520,926	139,437,165
Net Pension Asset	1,827,444	226,249	2,053,693
Total Assets	144,711,144	57,413,770	202,124,914
Deferred Outflows of Resources			
Deferred Amount Related to Pensions	1,465,144	242,941	1,708,085
Deferred Amount on Asset Retirement Obligations	-	344,170	344,170
Total deferred outflows of resources	1,465,144	587,111	2,052,255
Liabilities:			
Accounts Payable and Other Current Liabilities	1,327,427	169,358	1,496,785
Accrued Interest Payable	104,977	1,981	106,958
Unearned Revenues	3,873,451	191,462	4,064,913
Noncurrent Liabilities:			
Due within One Year	1,374,290	49,335	1,423,625
Due in More than One Year	20,427,917	348,534	20,776,451
Asset Retirement Obligation	-	539,505	539,505
Net Pension Liability	509,046	130,217	639,263
Total Liabilities	27,617,108	1,430,392	29,047,500
Deferred Inflows of Resources			
Amounts Related to Pensions	1,573,949	233,258	1,807,207
Amounts Related to Leases	74,235	-	74,235
Total Deferred Inflows of Resources	1,648,184	233,258	1,881,442
Net Position:			
Net Investment in Capital Assets	95,689,209	43,551,396	139,240,605
Restricted for:			
Building Permit Functions	3,041,416	-	3,041,416
Public Safety	9,188	-	9,188
Pension Asset	1,827,444	226,249	2,053,693
Capital	11,144,250	9,241,155	20,385,405
Other Purposes	67,177	-	67,177
Unrestricted	5,132,312	3,318,431	8,450,743
Total Net Position	$ 116,910,996	$ 56,337,231	$ 173,248,227

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

CITY OF RIDGEFIELD, WASHINGTON
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business -type Activities	Net (Expense) Revenue and Changes in Net Position: Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	$ 2,712,080	$ 922,658	$ 1,283,568	$ 57,500	$ (448,354)	$ -	$ (448,354)
Public Safety	3,136,523	40,925	49,933	53,328	(2,992,337)	-	(2,992,337)
Physical Environment	1,209,287	6,825	-	6,513	(1,195,949)	-	(1,195,949)
Transportation	3,131,934	86,657	-	6,593,560	3,548,283	-	3,548,283
Education	5,210,205	-	-	-	(5,210,205)	-	(5,210,205)
Economic Environment	2,099,723	8,099,774	-	-	6,000,051	-	6,000,051
Culture and Recreation	1,770,022	8,934	15,300	2,044,523	298,735	-	298,735
Interest on Long-Term Debt	682,337	-	-	-	(682,337)	-	(682,337)
TOTAL GOVERNMENTAL ACTIVITIES	19,952,111	9,165,773	1,348,801	8,755,424	(682,113)	-	(682,113)
Business Type Activities:							
Water	2,740,591	2,687,584	-	1,910,541	-	1,857,534	1,857,534
Storm	1,208,940	1,134,921	-	1,537,026	-	1,463,007	1,463,007
TOTAL BUSINESS-TYPE ACTIVITIES	3,949,531	3,822,505	-	3,447,567	-	3,320,541	3,320,541
Total Primary Government	$ 23,901,642	$ 12,988,278	$ 1,348,801	$ 12,202,991	$ (682,113)	$ 3,320,541	$ 2,638,428
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 1,940,632	$ -	$ 1,940,632
Sales and Use Taxes					4,401,993	-	4,401,993
Utility Taxes					1,813,911	-	1,813,911
Excise and Other Taxes					2,826,071	-	2,826,071
Unrestricted Investment Earnings(Loss)					(342,028)	(171,461)	(513,489)
Grants and Contributions not Restricted to Specific Programs					277,994	-	277,994
Transfers					(4,799)	4,799	-
Total General Revenues and Transfers					10,913,774	(166,662)	10,747,112
Change in Net Position					10,231,661	3,153,879	13,385,540
Net Position - Beginning					102,473,988	53,090,932	155,564,920
Prior Period Adjustment					4,205,347	92,420	4,297,767
Net Position - Ending					$ 116,910,996	$ 56,337,231	$ 173,248,227

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

CITY OF RIDGEFIELD
Governmental Funds
Balance Sheet
December 31, 2022

	General Fund	Capital Projects Fund	Real Estate Excise Tax Fund	Non Major Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	$ 7,663,103	$ 1,262,538	$ 3,016,407	$ 3,038,215	$ 14,980,263
Investments	4,591,654	-	1,478,065	2,660,287	8,730,006
Property Taxes Receivables	24,153	-	-	-	24,153
Accounts Receivable (net)	336,922	-	-	3,465	340,387
Interest Receivable	47,672	-	10,300	18,538	76,510
Lease Receivable	74,235	-	-	-	74,235
Due from Other Governments	797,649	256,296	-	191,599	1,245,544
Prepaids	4,000	-			4,000
Total Assets	$ 13,539,388	$ 1,518,834	$ 4,504,772	$ 5,912,104	$ 25,475,098
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts Payable	363,268	409,631	-	36,412	809,311
Other Accrued Liabilities	329,258	-	-	36,792	366,050
Due to Other Governments	152,066	-	-	-	152,066
Total Liabilities	844,592	409,631	-	73,204	1,327,427
Deferred Inflows of Resources:					
Unavailable Revenue	193,171	71,862	3,693	9,703	278,429
Deferred Inflows for Leases	74,235	-	-	-	74,235
Total Deferred Inflows of resources:	267,406	71,862	3,693	9,703	352,664
Fund Balances:					
Nonspendable	4,000	-	-	-	4,000
Restricted	3,041,416	1,099,192	4,501,079	5,620,344	14,262,031
Assigned	1,261,866	-	-	208,853	1,470,719
Unassigned	8,120,108	(61,851)	-	-	8,058,257
Total Fund Balances	12,427,390	1,037,341	4,501,079	5,829,197	23,795,007
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 13,539,388	$ 1,518,834	$ 4,504,772	$ 5,912,104	

Amounts reported for governmental activities in the statement of net position are different because (See Note 2 also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds `	$ 117,408,602
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds—unavailable revenues	278,429
Other items related to Pension activity that are not financial resources therefore, not reported in the funds.	1,209,593
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(25,780,635)
Net position of governmental activities	$ 116,910,996

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

CITY OF RIDGEFIELD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Real Estate Excise Tax Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	$ 1,941,010	$ -	$ -	$ -	$ 1,941,010
Sales and Use Taxes	4,377,788	-	-	24,205	4,401,993
Utility	1,707,319	-	-	106,449	1,813,768
Other Taxes	-	-	2,081,558	744,513	2,826,071
License and Permits	1,359,819	-	-	13,537	1,373,356
Intergovernmental	1,593,506	358,778	-	240,339	2,192,623
Charges for Services	7,033,082	846,454	-	1,478,613	9,358,149
Fines and Forfeits	55,507	-	-	4,051	59,558
Interest Earnings	(181,072)	-	(107,337)	(91,124)	(379,533)
Contributions and Donations	22,800	6,512	-	-	29,312
Miscellaneous	117,714	-	-	49	117,763
Total Revenues	18,027,473	1,211,744	1,974,221	2,520,632	23,734,070
Expenditures:					
Current					
General Government	2,707,584	-	-	-	2,707,584
Public Safety	2,961,411	-	-	336	2,961,747
Physical Environment	1,201,679	-	-	-	1,201,679
Transportation	-	-	-	943,858	943,858
Economic Environment	2,192,487	-	-	-	2,192,487
Education	5,210,205	-	-	-	5,210,205
Culture and Recreation	723,885	-	-	-	723,885
Capital Outlay	822,859	5,445,415	-	22,471	6,290,745
Debt Service					
Principal Retirement	165,845	250,000	-	748,000	1,163,845
Interest/Fiscal Charges	43,258	-	-	666,003	709,261
Total Expenditures	16,029,213	5,695,415	-	2,380,668	24,105,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,998,260	(4,483,671)	1,974,221	139,964	(371,226)
Other Financing Sources (Uses)					
Issuance of Debt	472,118	-	-	-	472,118
Transfers In	-	4,495,638	-	2,151,170	6,646,808
Transfers Out	(1,075,934)	-	(1,418,801)	(4,156,872)	(6,651,607)
Total Other Financing Sources and Uses	(603,816)	4,495,638	(1,418,801)	(2,005,702)	467,319
Net Change in Fund Balances	1,394,444	11,967	555,420	(1,865,738)	96,093
Fund Balance at Beginning of Year	11,032,946	1,025,374	3,945,659	7,694,935	23,698,914
Fund Balance at End of Year	$ 12,427,390	$ 1,037,341	$ 4,501,079	$ 5,829,197	$ 23,795,007

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

CITY OF RIDGEFIELD

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

Year Ended December 31, 2022

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

Net changes in fund balances - total governmental funds:	$	96,093
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.		2,693,458
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to increase net position.		3,831,341
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,623,160
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		728,833
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		258,776
Changes in Net Position (governmental activities)	$	10,231,660

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

CITY OF RIDGEFIELD
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended December 31, 2022

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget
Revenues:				
Property Taxes	$ 1,940,000	$ 1,940,000	$ 1,941,010	$ 1,010
Sales and Use Taxes	4,220,025	4,220,025	4,377,788	157,763
Utility and Other Taxes	1,601,835	1,601,835	1,707,319	105,484
License and Permits	1,950,710	1,950,710	1,359,819	(590,891)
Intergovernmental	1,643,785	1,643,785	1,593,506	(50,279)
Charges for Services	2,061,430	2,061,430	1,822,877	(238,553)
Fines and Forfeits	64,000	64,000	55,507	(8,493)
Interest Earnings	85,000	85,050	(181,072)	(266,122)
Contributions and Donations	25,000	25,000	22,800	(2,200)
Other Miscellaneous	81,900	81,900	117,714	35,814
Total Revenues	13,673,685	13,673,735	12,817,268	(856,467)
Expenditures:				
Current				
General Government	2,944,218	2,975,718	2,707,584	268,134
Security/Persons and Property	2,926,267	2,926,267	2,961,411	(35,144)
Physical Environment	1,269,948	1,299,948	1,201,679	98,269
Economic Environment	2,514,470	2,549,470	2,192,487	356,983
Culture and Recreation	840,646	840,646	723,885	116,761
Debt Service				
Lease Principal	281,020	281,020	165,845	115,175
Lease Interest	43,850	43,850	43,258	592
Capital Outlay	468,000	827,500	350,741	476,759
Total Expenditures	11,288,419	11,744,419	10,346,890	1,397,529
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,385,266	1,929,316	2,470,378	541,062
Other Financing Sources (Uses):				
Transfers Out	(3,778,167)	(3,568,167)	(1,075,934)	2,492,233
Total Other Financing Sources and Uses	(3,778,167)	(3,568,167)	(1,075,934)	2,492,233
Net Change in Fund Balance	(1,392,901)	(1,638,851)	1,394,444	3,033,295
Fund Balances at Beginning of Year	11,032,946	11,032,946	11,032,946	-
Fund Balances at End of Year	$ 9,640,045	$ 9,394,095	$ 12,427,390	$ 3,033,295
Adjustments to general accepted accounting principles (GAAP) Basis				
Revenues: Charges for Services, School Impact Fees			5,210,205	
Expenditures: Education			(5,210,205)	
Capital Outlay: Right to Use Asset			(472,118)	
Other Financing Sources: Issuance of Debt			472,118	
Fund Balance - GAAP basis			$ 12,427,390	

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

CITY OF RIDGEFIELD

Proprietary Funds

Statement of Fund Net Position

December 31, 2022

	Major Fund		
	Water	Storm Water	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 1,199,243	$ 267,991	$ 1,467,234
Investments	1,287,347	143,039	1,430,386
Receivables (net)			
Interest	8,971	997	9,968
Accounts	291,570	202,131	493,701
Inventory	54,359	-	54,359
Restricted Assets			
Cash and Cash Equivalents	6,949,447	-	6,949,447
Investments	2,318,013	-	2,318,013
Interest Receivable	16,153	-	16,153
Total Current Assets	12,125,103	614,158	12,739,261
Noncurrent Assets:			
Other Non-current Assets	592,064	-	592,064
Capital Assets, Not Depreciated or Amortized	685,458	649,813	1,335,271
Capital Assets, Net of Depreciation or Amortization	22,166,473	20,354,453	42,520,926
Net Pension Asset	151,849	74,400	226,249
Total Long-term Assets	23,595,844	21,078,666	44,674,510
Total Assets	35,720,947	21,692,824	57,413,771
Deferred Ouflows of Resources:			
Deferred amount on refunding			
Amounts Related to Pensions	163,052	79,889	242,941
Amounts Related to Asset Retirement Obligations	344,170	-	344,170
Total Deferred Outflows of Resources	507,222	79,889	587,111
Liabilities:			
Current Liabilities:			
Accounts Payable	52,476	15,362	67,838
Due to Other Governmental Units	-	48	48
Accrued Interest Payable	-	1,982	1,982
Accrued Employee Benefits	36,860	22,154	59,014
Accrued Compensated Absences	23,438	10,019	33,457
Accounts Payable from Restricted Assets	42,458	-	42,458
Unearned Revenues	190,696	766	191,462
Leases Payable	455	-	455
Bonds, Notes and Loans Payable	-	15,423	15,423
Total Current Liabilities	346,383	65,754	412,137
Noncurrent Liabilities:			
Accrued Compensated Absences	45,589	18,190	63,779
Leases Payable	37,985	-	37,985
Bonds, Notes and Loan Payable (Net)	-	246,770	246,770
Asset Retirement Obligation	539,505	-	539,505
Net Pension Liability	87,396	42,821	130,217
Total Long-term Liabilities	710,475	307,781	1,018,256
Total Liabilities	1,056,858	373,535	1,430,393
Deferred Inflows of Resources:			
Amounts Related to Pensions	156,553	76,705	233,258
Total Deferred Inflows of Resources	156,553	76,705	233,258
Net Position:			
Net Investment in Capital Assets	22,809,323	20,742,073	43,551,396
Restricted for Capital Projects	9,241,155	-	9,241,155
Restricted for Pension Asset	151,849	74,400	226,249
Unrestricted	2,812,431	506,000	3,318,431
Total Net Position	$ 35,014,758	$ 21,322,473	$ 56,337,231

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

CITY OF RIDGEFIELD

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended December 31, 2022

	Major Fund		
	Water	Storm Water	Total
Operating Revenues			
Charge for Services	$ 2,687,584	1,132,721	$ 3,820,305
Total Operating Revenues	2,687,584	1,132,721	3,820,305
Operating Expenses			
Salaries, Wages and Benefits	760,218	410,008	1,170,226
Supplies	241,970	44,577	286,547
Professional Services	564,290	395,815	960,105
Utilities	341,453	5,754	347,207
Repairs and Maintenance	208,844	9,093	217,937
Taxes	153,016	18,816	171,832
Depreciation, Amortization, Depletion	469,439	304,630	774,069
Total Operating Expenses	2,739,230	1,188,693	3,927,923
Operating Income (loss)	(51,646)	(55,972)	(107,618)
Nonoperating Revenues (Expenses)			
Interest Earnings (Loss)	(168,973)	(2,488)	(171,461)
Interest and Fiscal Charges	(1,361)	(3,397)	(4,758)
Gain (Loss) on Disposal of Assets	-	(16,850)	(16,850)
Other Non Operating Revenue(Expense)	-	2,200	2,200
Total Nonoperating Revenues (Expenses)	(170,334)	(20,535)	(190,869)
Income (Loss) before Contributions and Transfers	(221,980)	(76,507)	(298,487)
Capital Contributions	1,910,541	1,537,026	3,447,567
Transfers In	-	4,799	4,799
Increase (Decrease) in Net Position	1,688,561	1,465,318	3,153,879
Total Net Position at Beginning of Year	33,288,612	19,802,320	53,090,932
Prior period adjustments	37,585	54,835	92,420
Total Net Position at End of Year	$ 35,014,758	$ 21,322,473	$ 56,337,231

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

CITY OF RIDGEFIELD

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended December 31, 2022

	Major Fund		
	Water	Storm Water	Total
Cash Flows from Operating Activities:			
Receipts from Customers	$ 2,625,548	$ 1,097,468	$ 3,723,016
Payments to Suppliers	(888,625)	(230,565)	(1,119,190)
Payments to Employees	(820,285)	(422,842)	(1,243,127)
Payments for Interfund Services Used and City Taxes	(445,615)	(230,008)	(675,623)
Payments for Taxes	(153,016)	(18,816)	(171,832)
Receipts from Other Operating Activities	43,636	2,200	45,836
Net Cash Provided by Operating Activities	361,643	197,437	559,080
Cash Flows from Noncapital Financing Activities:			
Transfers - In	-	4,799	4,799
Net Cash Provided (Used) by Noncapital Financing Activities	-	4,799	4,799
Cash Flows from Capital and Related Financing Activities:			
Receipts for Future System Improvements	1,354,635	-	1,354,635
Acquisition and Construction of Capital Assets	(344,095)	(81,700)	(425,795)
Proceeds from sale of capital assets	-	(1,500)	(1,500)
Principal Paid on Debt	(439)	(15,423)	(15,862)
Interest Paid on Capital Debt	(1,361)	(3,397)	(4,758)
Net Cash Provided (Used) for Capital and Related Financing Activities	1,008,740	(102,020)	906,720
Cash Flows from Investing Activities:			
Interest on Investments	(185,790)	(3,485)	(189,275)
Purchase of Investment Securities	(1,810,526)	(143,039)	(1,953,565)
Proceeds from Sale and Maturities of Investment Securities	267,552	-	267,552
Net Cash Provided (Used) by Investing Activities	(1,728,764)	(146,524)	(1,875,288)
Net Increase in Cash and Cash Equivalents	(358,381)	(46,307)	(404,688)
Cash and Cash Equivalents at Beginning of Year	8,507,071	314,298	8,821,369
Cash and Cash Equivalents at End of Year	$ 8,148,690	$ 267,991	$ 8,416,681
Reconciliation to Net Position:			
Cash and Cash Equivalents	1,199,243	267,991	1,467,234
Restricted Cash and Cash Equivalents	6,949,447	-	6,949,447
Total Cash and Cash Equivalents	$ 8,148,690	$ 267,991	$ 8,416,681

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

CITY OF RIDGEFIELD

Proprietary Funds

Statement of Cash Flows (continued)

For the Fiscal Year Ended December 31, 2022

	Major Fund		
	Water	Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash:			
Cash Used by Operating Activities:			
Net Operating Income (Loss)	$ (51,646)	$ (55,972)	$ (107,618)
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation Expense	469,439	304,630	774,069
(Increase) Decrease in Receivables	366	(35,105)	(34,739)
(Increase) Decrease in Inventories	(5,265)	-	(5,265)
Increase (Decrease) in Current Payables	27,582	(5,382)	22,200
Increase (Decrease) in Pension Activity	(56,052)	(27,835)	(83,887)
Increase (Decrease) in Accrued Employee Benefits	(4,015)	15,001	10,986
Increase (Decrease) in Customer Deposits	(62,402)	-	(62,402)
Increase (Decrease) in Unearned Revenues	-	(148)	(148)
Increase (Decrease) in ARO	43,636	-	43,636
Increase (decrease) in due to other governments	-	48	48
Other Receipts (Payments)	-	2,200	2,200
	413,289	253,409	666,698
Net Cash Provided by Operating Activities	$ 361,643	$ 197,437	$ 559,080
Noncash Transactions			
Change in Fair Value of Investments	$ 265,203	$ 6,528	$ 271,731
Capital Assets Financed Through Accounts Payable	(2,263)	-	(2,263)
Donated Capital Assets by Developers	635,872	1,591,861	2,227,733

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Office of the Washington State Auditor has developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among cities and counties in Washington. Following is a summary of the significant accounting policies for the City of Ridgefield:

A. REPORTING ENTITY

The reporting entity "City of Ridgefield" consists of the City as the primary government; there are no component units. The City of Ridgefield, Washington, was incorporated in August 1909 and operates under the laws of the State of Washington applicable to an optional municipal code city (Title 35A RCW) with a council-manager form of government with a government body consisting of seven Council members with one selected to serve as the Mayor.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

<u>Government-wide financial statements</u> (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

<u>Fund financial statements</u> are separate financial statements provided for governmental funds and proprietary funds. 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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted or reported in another fund.
>
> The *capital projects fund* was established to construct governmental fund type capital projects. Construction of street and park projects has been the predominant use. Resources are transferred from other funds and combined with other restricted, committed, or assigned resources to be used for the acquisition or construction of capital facilities or other capital assets, such as grants to reimburse this fund for the costs of construction.
>
> The *real estate excise tax fund* was established to account for taxes that are restricted for capital purposes. Resources are typically transferred to other funds as they are needed.

The government reports the following major proprietary funds:

> The *water fund* accounts for the City's water utility operations. This fund comprises activity of the municipal water system that includes production, treatment, storage and distribution of domestic water. The system is comprised of six production wells, three storage reservoirs and over sixty-two

miles of water lines. The City's operations division provides management operations and maintenance of the City's water system to provide for the reliable delivery of safe, high-quality water for all water users. This fund also incorporates the revenues received from system development charges and expenses incurred for capital project activities. System development charges are assessed on new development activities and expended to build or expand capacity that is required as a result of growth and development.

The *storm water fund* accounts for the City's storm water drainage utility operations. This fund provides management operations and maintenance of the City's storm water system and ensures the storm water facilities are mowed and cleared to allow for proper drainage. The City has ninety-six storm water facilities that require maintenance and thirty-eight miles of storm sewer lines. Revenue to fund the operations comes from charges for services generated from monthly storm water maintenance fees.

Additionally, the government reports the following fund types as non-major governmental funds:

Special revenue funds account for revenues from specific taxes, grants, or other sources, which are restricted or committed to finance particular activities of the City.

Debt service funds account for principal and interest payments on City debt.

Capital project funds account for revenue which is restricted for capital project activities.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers taxes as available if they are collected within 60 days after year end. 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.

Property taxes, sales tax, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and storm water function 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.

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 Water and Storm Water Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is prorated to the various funds. This policy covers all funds operated by the City.

For the purposes of the statement of cash flows, the City considers the Washington State Local Government Investment Pool and the Clark County Investment Pool as cash. Investments in the State Investment Pool and the Clark County Investment Pool are classified as cash equivalents on the financial statements.

Certain Investments for the City are reported at fair value in accordance with GASB statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized cost.

2. Receivables

All trades are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually before December 15, and become a lien as of January 1, on property value listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. The County Treasurer remits collections to the appropriate district as taxes are received. Taxes receivable consist of property taxes and related interest and penalties. See Note 5 (Property Taxes).

Customer accounts receivable consist of amounts owed from private developers, individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Due from other governmental units represent amounts owed under grant programs or any other intergovernmental activity.

Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year. Lease receivable only the current portion of the lease receivable. The long-term portion is included in Other Noncurrent Assets.

Receivables

	Taxes	Accounts	Interest	Leases	Due from Other Gov'ts	Total
Governmental Activities						
General Fund	$ 24,153	$ 336,922	$ 47,672	$ 3,402	$ 797,649	$ 1,209,798
Capital Projects Fund	-	-	-	-	256,296	256,296
Traffic Impact Fee Fund	-	-	8,605	-	-	8,605
Real Estate Excise Tax Fund	-	-	10,300		-	10,300
Park Impact Fee Fund	-	-	9,933	-	-	9,933
Other Nonmajor Governmental Funds	-	3,465	-	-	191,599	195,064
Total Governmental	24,153	340,387	76,510	3,402	1,245,544	1,689,996
Business Type Activities						
Water Fund	$ -	$ 291,571	$ 8,971	$ -	$ -	$ 300,541
Restricted Water Fund	-	-	16,153	-	-	16,153
Storm Water Fund	-	202,131	997	-	-	203,128
Total Business Type	-	493,702	26,121	-	-	519,822
Total Combined Receivables	$ 24,153	$ 834,089	$ 102,631	$ 3,402	$1,245,544	$ 2,209,818

3. Amounts due to and from other funds and governments, interfund loans and advances receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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."

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

4. Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption and are recorded as an expenditure when the items are purchased. Inventories in proprietary funds are valued on the First In/First Out or FIFO method, which approximates market value. Inventory consists of water meters that are mainly used for new homes built by developers.

5. Lease Receivable and Deferred Inflows of Resources

Leases receivable consist of amounts recorded in compliance with GASB 87, *Leases.* The City has recorded the Lease Receivable and Deferred Inflows of Resources.

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

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

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

Lease Liability and Right to Use Asset
Lease Liability consists of amounts recorded in compliance with GASB 87, *Leases.* The City has recorded the Lease Liability and associated Intangible, right to use, asset.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the (straight-line basis/effective interest method) over the same useful lives as the asset category of the underlying assets. If the assets life is equivalent to the lease term, the City's right to use asset is amortized over the life of the lease from implementation through lease term end.

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

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

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

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

See Note 12 for more information.

6. Other Noncurrent Assets

Other noncurrent assets consist of the long-term portion of the lease receivable mentioned above as well as prepayments of System Development Charges (SDCs). The City has entered into an agreement with Clark Public Utilities (CPU) that will enable CPU to provide additional water supply to City residents and businesses. The City has agreed to pay CPU an aid to construction charge for work associated with certain improvements. This payment made by the City is treated as payments in lieu of the City's future SDCs for increased meter capacity. The opportunity to use these in lieu payments for the SDCs will expire on January 1st, 2030.

7. Deferred inflows and outflows of resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but have not yet been earned. At the end of the current fiscal year, the various components of deferred inflow of resources for the lease receivable and unavailable revenue reported in the governmental funds were as follows:

Unavailable Revenue		
Delinquent Property Taxes Receivable - General Fund	$	20,814
Delinquent Water Taxes Receivable - General Fund		143
Outstanding Accounts Receivable		86,477
Outstanding Court Receivable		42,225
Outstanding Developer Receivable		89,487
Outstanding Grant Receivable		1,778
Outstanding Interest Receivable		37,505
Amounts related to Lease Receivable		74,235
Total Deferred Inflows of Resources for Governmental Funds	$	352,664

The proprietary funds and government wide statement of net position also present deferred inflows and outflows related to pensions and asset retirement obligations. See Note 7 (Pension Plans) and Note 16 (Asset Retirement Obligations).

8. Restricted assets
These resources are set aside for specific uses and/or are restricted by law for specific purposes. In the governmental and business-type activities the restricted amounts are held for debt service, the construction and/or acquisition of capital assets associated with the infrastructure systems, and for operating purposes. The restricted assets comprise the following:

		Governmental Activities		Business-type Activities
Restricted for:				
Capital Facility Plan Projects	$	11,154,610	$	-
Public Safety Drug Prevention		9,469		-
Building Permit Functions		3,041,416		-
School Impact Fees		151,656		-
Economic Environment		67,177		-
Pension Activities		1,827,444		226,249
Water Capital Projects		-		9,283,613
Total Restricted Amounts	$	16,251,772	$	9,509,862

9. Capital assets
Capital assets includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more with a life expectancy of more than one year. Easements and right of way are capitalized if initial costs are $100,000 or more. Land is capitalized for all costs. 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. Intangible assets are defined as easements, water rights, patents, trademarks, computer software and right to use assets. A right to use

asset is the City's right to use an underlying asset within a lease agreement as defined by GASB Statement No. 87.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Major outlays for capital assets and improvements are capitalized as projects are completed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized.

Property, plant, equipment, intangible assets and right to use assets with a definite useful life are depreciated using the straight-line method over the estimated useful lives. See below for useful life.

Asset Category	**Years Useful Life**
Buildings	50
Building Improvements and Furnishings	10-20
Streets	50
Lighting	50
Sidewalks, Curbs and Gutters	50
Trails	30-50
Structures	20-40
Infrastructure	20-75
Vehicles (Public Safety)	10
Vehicles (All Other)	12
Public Works Equipment	5-20
Office Equipment/Furniture	5-10
Software	5-10
Hardware (Servers etc.)	5-10

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 column in the statement of net position.

10. <u>Compensated absences</u>
Compensated absences are absences for which employees will be paid, such as vacation and comp-time. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. In proprietary (and similar trust) funds, compensated absences are recorded as an expense and liability of the fund that will pay for them as they are earned.

Vacation pay is payable up to 240 hours (30 days) on the employee's anniversary date with the City and is payable upon resignation, retirement or death. Sick leave is earned at a rate of one day per month for full-time employees and is recorded when leave is taken; however, the liability for sick leave is limited because it is generally not paid out at separation. In the event of an employee's retirement from service with the City, sick leave is payable subject to limitations that range between 25% of accumulated sick leave up to 1,600 hours (or 400 hours maximum), 50% of sick leave accumulated up to 800 hours (or 400 hours maximum), and 50% of accumulated sick leave of the amount that exceeds 720 hours, depending upon the employees bargaining unit agreement and/or personnel policy.

11. Other accrued liabilities
This account consists of accrued wages and accrued employee benefits.

12. Long-term obligations
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. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as period costs in the year of the bond issuance.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt and leases issued are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Net pension liabilities (assets)
For purposes of measuring the net pension liability (assets), 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 benefits terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset only.

14. Asset retirement obligation
The asset retirement obligations (ARO) and deferred outflows of resources related is the liability associated with the retirement of City owned capital assets that have a substantial cost to the City. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

15. Net position
Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted is the amount restricted by external creditors, grantors, contributors, or laws and regulations imposed by other governments. The capital component is associated with impact fees, system development charges and excise taxes where the funds received are restricted for capital purposes. The building permit function is associated with the building department within the general fund and restricted for a specific operating purpose. The public safety component is associated with activities restricted towards drug enforcement prevention and policing. The amount related to pensions is the pensions net asset for the PERS 2/3 and LEOFF 2 retirement program.

Unrestricted is the amount of all net position that does not meet the definition of "invested in capital assets" or "restricted" net position.

16. Fund balances in the governmental fund financial statements
On the balance sheet – governmental funds, assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on specific purposes for which the funds can be spent.

Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, including the State and Federal government. The City has restricted amounts, shown on the Governmental Funds Balance Sheet, with the majority of it available for use to complete major capital projects identified in an appropriate City capital facilities plan.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority). Once committed by Council legislative action (by ordinance), the limitation imposed by this action remains in place until a similar action is taken to remove or revise the limitation.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes; and any excess of nonspendable, restricted, and committed fund balance over total fund balance in a governmental fund other than the general fund. Under the City's adopted policy, the City's Finance Director or management staff may assign amounts for specific purposes. The City has assigned an amount, shown on the Governmental Funds Balance Sheet, and plans to use it for equipment repair and replacement, such as to replace a vehicle; and capital maintenance projects, such as to remodel a building or make a major repair of a building.

Unassigned – total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. The general fund is the only fund that can report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

The City adopted a resolution in October 2014 which sets apart fund balance reserve accounts for stabilization purposes in the General Fund. These are classified as unassigned per the City's financial policies. No requirements or conditions for addition or spending these funds have been established by the City. The City's policy states that an unassigned fund balance for revenue stabilization will be designated at a minimum of 10% of prior year General Fund revenues less any one-time revenues such as grants or interfund transfers; at December 31, 2022, the balance is $1,118,310. Council action is required in order for stabilization funds to be used. The policy also states that an operations and maintenance reserve will be designated at a minimum of 60 days of prior year actual operating expenses in the General and Street Fund; at December 31, 2022, the balance is $1,424,466. The policy also states that a capital reserve will be set aside at 1% of the prior year's Net Investment in Capital Assets calculated in the Statement of Net Position; at December 31, 2022, the balance is $845,811, plus an additional reserve specific for equipment replacement; the balance at December 31, 2022, is $416,055. This is classified as assigned fund balance.

The City Council adopted a separation reserve in 2019. The reserve is for accrued balance payouts at the time of retirement. The amount is designated at 30% of the anticipated accrued balance payouts over the next 10 years. At December 31, 2022, the balance was $151,782. This fund balance is identified as unassigned.

The City Council adopted reserve policies by resolution and therefore any changes to the policies would require a new resolution to be adopted. Use of the reserves requires budget enactment, or a budget amendment adopted by ordinance of the Council.

The City as of December 31, 2022, has a total fund balance in the governmental funds of $23,795,007 and is classified as follows:

Classification on Balance Sheet		Fund Balance
Nonspendable for prepaids	$	4,000
Restricted for capital purposes		11,144,250
Restricted for building permiting functions		3,041,416
Restricted for public safety		9,188
Restricted for economic environment		67,177
Assigned for equipment replacement and capital maintenance purposes		1,261,866
Assigned for streets		208,853
Unassigned (can be used for any specific purpose)		8,058,257
Total Fund Balance - Governmental Funds	$	23,795,007

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes the reconciliation between *fund balance — total governmental funds* and *net position — governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

General Obligations Bonds Payable	$	(14,790,000)
Direct Placement Bonds Payable		(3,900,000)
Plus: Issuance premium (to be amortized as interest expense)		(753,667)
Private Placement loan		(899,801)
Leases Payable		(1,082,268)
Compensated Absences		(371,260)
Interest Payable		(104,977)
Pollution Remediation Obligation		(5,211)
Impact Fee Credits		(3,873,451)
Net adjustment to reduce fund balance - total governmental funds to arrive at *net position - governmental activities*	$	(25,780,635)

Another element of that reconciliation explains that “other items related to pension activity are not financial resources, therefore, not reported in the funds.” The details of this difference are as follows:

Net Pension Asset	$	1,827,444
Deferred Outflow of Resources - Pension		1,465,144
Net Pension Liability		(509,046)
Deferred Inflow of Resources - Pension		(1,573,949)
Net adjustment to reduce fund balance - total governmental funds to arrive at *net position - governmental activities*	$	1,209,593

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The difference of this amount is as follows:

Capital Outlays and Constructed Assets	$	5,483,964
Depreciation/Amortization expense		(2,790,506)
Net adjustment to increase *net changes in fund balances—total governmental funds* to arrive at *changes in net position of governmental activities*	$	2,693,458

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to increase net position" is as follows:

Donated capital assets	$	3,831,341
Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net position governmental activities*	$	3,831,341

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this difference are as follows:

Grant revenues	$	(6,528)
Impact Fee Credits redeemed		3,420,568
Impact Fee Credits issued		(947,950)
Interest Receivable - unavailable		37,505
Accounts Receivable - unavailable		86,477
Other revenues unavailable		(10,000)
Municipal Court revenue		(3,210)
Pension Contributions from State		46,533
Tax revenues - unavailable		(235)
Net adjustment to increase *net changes in fund balances—total governmental funds* to arrive at *changes in net position of governmental activities*	$	2,623,160

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this difference are as follows:

Issuance of Capital Debt	$	(472,118)
Amortization of issuance premiums		37,106
Principal payment on loans and leases		1,163,845
Net adjustments to decrease net changes in fund balances - total *governmental funds to arrive at changes in net position of governmental activities*	$	728,833

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Pollution Remediation Adjustment	$	(316)
Interest expense		(10,182)
Pension expense adjustment		280,439
Compensated absences		(11,165)
Net adjustments to decrease n*et changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	258,776

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

<u>Scope of budget</u>
Annual appropriated budgets are adopted for all governmental fund types and proprietary funds. The budgets constitute the legal authority for expenditures at the fund level. Annual appropriations for funds lapse at the end of the fiscal year. There is no difference between the budgetary basis and generally accepted accounting principles, with the exception that the City does not budget for the payments of the School Impact Fees that are collected and remitted to the school district or for issuance of debt or capital outlay expenditures related to leasing activities when the City acts as lessee. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the governmental funds only. All governmental funds are budgeted on the modified accrual basis of accounting. Proprietary funds are budgeted on a full accrual basis for management control purposes only.

<u>Adopting the budget</u>
The City's budget procedures are mandated by RCW 35.33A. The steps in the budget process are as follows:

1. Prior to September, the City Manager requests all department heads to submit their annual budget requests along with all applicable narratives.
2. Prior to October 1, the City Manager will review the department request with each department. The Finance Director compiles preliminary revenue estimates to determine available financing of the proposed requests.
3. By October 1, the preliminary budget proposal is complete and put into a preliminary budget document and published.
4. Prior to November 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. The operating and capital budgets include the proposed expenditures and revenue estimates.
5. The City Clerk publishes a notice of filing of the preliminary budget and schedules property tax levy and budget hearings during the months of October and November.

6. Following the public hearings and prior to December 31, the budget is legally adopted through passage of an ordinance.

Amending the budget
The City Manager or authorized designee is authorized to transfer budgeted amounts between departments and object classes within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges or other conditions of employment must be approved by the City Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriations for a particular fund, it may do so by passage of an ordinance that is approved by a super majority of the city council members.

Budget amounts shown in the basic financial statements include the original budget amounts and the final authorized amounts as revised during the year for the major governmental funds. The original budget is the first completely 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.

NOTE 4. DEPOSITS AND INVESTMENTS

As of December 31, 2022, the City cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

Cash on Hand	$	9,013,980
State Treasurer's Investment Pool		6,665,335
Clark County Investment Pool		7,717,629
Municipal Bonds		877,639
US Agency Bonds		11,600,766
	$	35,875,349

As of December 31, 2022, the Washington State Local Government Investment Pool and the Clark County Investment Pool are classified as cash equivalents. Additional cash & cash equivalents consist of $9,013,980 held in interest bearing bank accounts, certificates of deposit, petty cash, and cash change drawers.

Deposits:
Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The City has an adopted policy that addresses deposit custodial risk; however, the City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the City's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Investments
It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments are subject to the following risks.

Interest rate risk
Interest rate risk is the risk that the City may face should interest rate variance affect the fair value of investments. City Council policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The City's intent is to purchase investments that may

be held until maturity. This risk is measured using the weighted average to maturity method. Investment maturities at December 31, 2022, is as follows:

Investment Type	**Weighted Average (Months)**
Federal Farm Credit Bank	0.26
Local Government Issue Bonds	0.11
Federal Home Loan Mortgage Corporation	0.79
Federal Home Loan Bank	14.99
	16.15

In addition to the interest rate risk disclosed above, the City includes investments with fair value highly sensitive to interest rate changes.

Credit risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, investments in the Clark County Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. Local Government Issue Bonds have ratings ranging from A1 to Aa2 by Moody's Investors Service.

Concentration of credit risk
Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has an adopted policy limiting the amount the City may invest in any one issuer. The investments held at year-end are listed below along with their percentage of the government's total investment:

	12/31/2022	
Investment Type	**Fair Value**	**Percentage of Portfolio**
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 1,222,429	5%
Municipal Bonds	877,639	3%
Federal Home Loan Mortgage Corporation	1,478,670	6%
Federal National Mortgage Association	292,263	1%
Federal Home Loan Bank	8,607,404	32%
	$ 12,478,405	46%

Custodial credit risk (investments)
Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The City uses Pershing, LLC and US Bank as the custodial agent for the safekeeping of the City's investments. Pershing, LLC and US Bank provide monthly reports on the City's securities, all of which are held in the City's name. The investments held by the City at year-end are all book-entry, registered securities.

Total cash and investments are stated at $35,875,349. There is additional cash held in City accounts due to "float" of outstanding checks, which have not cleared the bank as of December 31, 2022. The total cash and investments held by the City per the bank and investment account statements, include the uncleared checks, in the amount of $81,622. The City invests all temporarily idle funds.

Investments in Local Government Investment Pool (LGIP)
The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather; oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five-day waiting period exists.

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

Investments in Clark County Investment Pool (CCIP)
The City is a voluntary participant in the Clark County Investment Pool (CCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The City reports its investment in the pool at fair value, which is the same as the value of the pool per share. The CCIP is an unrated fund. The weighted average maturity of the CCIP is approximately one (1) year, with cash available to the City on demand. The on-demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk reporting requirement as defined by GASB 31. The CCIP is overseen by the Clark County Finance Committee and is audited annually by the Washington State Auditor's Office and regulated by Washington RCW's.

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, 2022, the City had the following investments measured at fair value:

		Market Value Measurements Using		
Investments by market value level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Municipal Bonds	$ 877,639	$ -	$ 877,639	$ -
Federal Farm Credit Bank	1,222,429	-	1,222,429	-
Federal Home Loan Mortgage Corp	1,478,670	-	1,478,670	
Federal National Mortgage Association	292,263	-	292,263	
Federal Home Loan Bank	8,607,404	-	8,607,404	-
Total US Agency Bonds	12,478,405	-	12,478,405	-
Clark County Investment Pool (Not subject to categorization)	7,717,629			
Total Investments by Market Value Level	20,196,034			
Investments measured at amortized costs				
State Treasurer's Investment Pool	6,665,335			
Total measured at amortized cost	6,665,335			
Total Pooled Investments	$ 26,861,369			

Prices for determining fair values represent estimates obtained from multiple sources, including Piper Sandler, its affiliates, and outside vendors. Pricing estimates may be based upon bids, prices within the bid/asked spread, closing prices, or matrix methodology that uses data relating to other sources where prices are more ascertainable, producing a hypothetical price based on the estimated yield spread between the securities. Piper Sandler has contracts with outside pricing vendors to obtain valuations for customer securities held on Piper Sandler's stock record. The primary vendor relationship is with Interactive Data Corporation, Standard & Poor's handles municipal bond pricing, while SIX Telekurs USA Inc. prices commercial paper.

NOTE 5. PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after 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 percent of market value.
October 31	Second installment is due.

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

The City may levy up to $1.60 per $1,000 of assessed valuation for general governmental services.

The City's regular levy for 2022 was $0.72 per $1,000 on an assessed valuation of $2,656,557,619 for a total regular levy of $1,925,237.

Special levies approved by the voters are not subject to the limitations listed above. In 2022, there were no outstanding voter approved bonds, and therefore no additional levy.

Washington State Constitution and Washington State law, RCW 84.55.010 limit the rate.

NOTE 6. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2022, was as follows:

Governmental activities:	Beginning Balance	Prior Period Adjustment	Adjusted Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated						
Land	$ 9,580,708	$ 1,157,500	$ 10,738,208	$ 1,457,637	$ -	$ 12,195,845
Intangibles	208,286	2,280,182	2,488,468	525,646	101,882	2,912,232
Construction in progress	1,965,149	-	1,965,149	3,465,939	46,802	5,384,286
Total capital assets, not being depreciated	11,754,143	3,437,682	15,191,825	5,449,222	148,684	20,492,363
Capital assets, being depreciated/depleted:						
Buildings and improvements	5,324,115	-	5,324,115	-	-	5,324,115
Equipment	3,399,293	-	3,399,293	894,114	-	4,293,407
Intangibles	74,887	-	74,887	41,413	-	116,300
Infrastructure	110,980,848	767,665	111,748,513	3,079,240	16,572	114,811,181
Total capital assets being depreciated	119,779,143	767,665	120,546,808	4,014,767	16,572	124,545,003
Less accumulated depreciation for:						
Buildings and improvements	468,454	-	468,454	104,844	-	573,298
Equipment	1,094,647	-	1,094,647	257,204	-	1,351,851
Intangibles	35,386	-	35,386	13,678	-	49,064
Infrastructure	24,554,676	-	24,554,676	2,352,239	16,572	26,890,343
Total accumulated depreciation	26,153,163	-	26,153,163	2,727,965	16,572	28,864,556
Total capital assets, being depreciated, net	93,625,980	767,665	94,393,645	1,286,802	-	95,680,447
Right to use assets, being amortized						
Building	1,369,215	-	1,369,215	-	-	1,369,215
Equipment	87,533	-	87,533	-	-	87,533
Total right to use assets, being amortized	1,456,748	-	1,456,748	-	-	1,456,748
Less accumulated amortization for:						
Right to use assets						
Building	136,921	-	136,921	45,640	-	182,561
Equipment	21,494	-	21,494	16,901	-	38,395
Total accumulated amortization	158,415	-	158,415	62,541	-	220,956
Total capital assets, being amortized, net	1,298,333	-	1,298,333	(62,541)	-	1,235,792
Governmental activities capital assets, net	$ 106,678,456	$ 4,205,347	$ 110,883,803	$ 6,673,484	$ 148,684	$ 117,408,602

Business type Assets		Beginning Balance		Prior Period Adjustment		Adjusted Beginning Balance		Additions		Reductions		Ending Balance
Capital assets, not being depreciated												
Land	$	373,887	$	-	$	373,887	$	-	$	-	$	373,887
Intangibles - Easements		171,814		-		171,814		-		16,850		154,964
Construction in progress		572,262		-		572,262		234,158		-		806,420
Total capital assets, not being depreciated		1,117,963		-		1,117,963		234,158		16,850		1,335,271
Capital assets, being depreciated/depleted:												
Buildings and improvements		945,744		-		945,744		-		-		945,744
Equipment		2,818,671		-		2,818,671		99,674		-		2,918,345
Intangibles		92,309		-		92,309		7,155		-		99,464
Infrastructure		43,129,758		92,420		43,222,178		2,183,539		-		45,405,717
Total capital assets being depreciated		46,986,482		92,420		47,078,902		2,382,788		-		49,369,270
Less accumulated depreciation for:												
Buildings and improvements		143,415		-		143,415		18,526		-		161,941
Equipment		749,797		-		749,797		140,406		-		890,203
Intangibles		25,441		-		25,441		10,642		-		36,083
Infrastructure		5,194,303		-		5,194,303		603,553		-		5,797,856
Total accumulated depreciation		6,112,956		-		6,112,956		773,127		-		6,886,083
Total capital assets, being depreciated, net		40,873,526		92,420		40,965,946		1,609,661		-		42,483,187
Right to use assets, being amortized												
Land		41,513		-		41,513		-		-		41,513
Total right to use assets, being amortized		41,513		-		41,513		-		-		41,513
Less accumulated amortization for:												
Right to use assets												
Land		2,830		-		2,830		944		-		3,774
Total accumlated amortization		2,830		-		2,830		944		-		3,774
Total capital assets, being amortized, net		38,683		-		38,683		(944)		-		37,739
Business type capital assets, net	$	42,030,172	$	92,420	$	42,122,592	$	1,842,875	$	16,850	$	43,856,197

The beginning balance of both Governmental activities and Business-type activities have been restated due to prior period adjustments relating to the recording of donated capital assets. For more information, please see Note 18, Prior Period Adjustments.

Depreciation and amortization expense for capital assets was charged to function/programs of the primary government as follows:

Governmental activities		
General Government	$	221,674
Security of persons and property		66,812
Transportation, including depreciation of general infrastructure		1,777,998
Physical environment		1,992
Economic environment		22,638
Culture and recreation		699,391
	$	2,790,506

Business-type activities:		
Water	$	469,441
Storm		304,630
	$	774,071

Commitments

The City had six construction projects that were substantially complete as of December 31, 2022, however retainage remained outstanding. Retainage amounted to $108,876 for these projects. The City has one construction project that began in 2021 and is scheduled for completion in 2023. The City has nineteen professional service projects that will carry over into 2023 with a total outstanding commitment of $3.8 million. The total remaining commitment for all projects is $5,863,115 and are for the projects listed below.

Project	Commitment	Retainage Held and Not Yet Paid	Remaining Commitment
Royle Road S 19th to 460 LF N of S 15th	$ 3,225,770	$ 70,288	$ 1,997,032
Gee Creek Tree Removal	122,718	11,300	11,300
2022 Pavement Preservation - Paving Project	150,100	7,424	7,424
Abrams Park Bridge Replacement	141,042	7,609	7,609
2022 Striping Project	134,400	6,551	6,551
2022 Slurry Seal	48,835	3,236	3,236
Davis Park Charging Station Install	53,595	2,468	2,468
S Royle Raod Corridor Completion Design	1,152,899	-	656,951
Pioneer Street Extension Design/ROW Acquisition	760,074	-	97,771
51st Roundabout & Pioneer Widenig Design	1,127,681	-	262,208
Royle Road Roundabout Construction Inspection & Support	68,495	-	4,893
N 8th Ave & Simons Construction	479,277	-	65,976
I-5 Bridge Decorative Fence Design	59,001	-	39,764
Royle Road North Segment Utility Relocaiton	80,879	-	80,879
Tax Increment Area Consulting	64,830	-	42,090
S 35th Ave Alternatives Analysis	128,436	-	119,075
Overlook Park Splashpad Archeological Monitoring	27,621	-	27,621
Overlook Park Splashpad Construction	828,624	-	828,624
YMCA Site Plan	392,500	-	131,722
Refuge Park Planning	88,045	-	19,971
Horns Corner Park Planning	124,028	-	62,339
Mayor's Meadow to Reiman Rd Design	419,911	-	301,514
Boyse Park Planning	26,590	-	11,200
Skate Park Aternatives Analysis	34,776	-	34,616
Kennedy Test Well	875,300	-	875,300
Groundwater Source Development	315,448	-	164,981
	$ 10,930,875	$ 108,876	$ 5,863,115

NOTE 7. PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	639,263
Pension assets		2,053,693
Deferred outflows of resources		1,708,085
Deferred inflows of resources		1,807,207
Pension expense/expenditures		128,041

State Sponsored 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

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 2022 were as follows:

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

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

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

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

PERS Plan 2/3			
Actual Contribution Rates		**Employer 2/3**	**Employee 2**
January – August 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
Total		**10.25%**	**6.36%**
July – December 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
Total		**10.39%**	**6.36%**

The City's actual PERS plan contributions were $154,000 to PERS Plan 1 and $260,632 to PERS Plan 2/3 for the year ended December 31, 2022.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 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.

<u>Contributions</u>
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 includes 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	**5.30%**	**8.53%**
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	**8.71%**	**8.53%**

The City's actual contributions to the plan were $77,731 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022, the state contributed $81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $46,533.

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

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

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

Method changes
Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020, AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for

LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

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

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

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

Estimated Rates of Return by Asset Class
The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)
The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	854,046	639,263	451,807
PERS 2/3	1,308,001	(1,110,706)	(3,097,827)
LEOFF 2	(43,424)	(942,987)	(1,679,202)

Pension Plan Fiduciary Net Position
Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the City reported its proportionate share of the net pension liabilities and (assets) as follows:

Plan	Liability or (Asset)
PERS 1	639,263
PERS 2/3	(1,110,706)
LEOFF 2	(942,987)

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

	LEOFF 2 Asset
LEOFF - employer's proportionate share	(942,987)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(610,846)
TOTAL	(1,553,833)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.02117%	0.02296%	0.00179%
PERS 2/3	0.02720%	0.02995%	0.00275%
LEOFF 2	0.02979%	0.03470%	0.00491%

In fiscal year 2022, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense
For the year ended December 31, 2022, the City recognized pension expense as follows:

	Pension Expense
PERS 1	$ 340,170
PERS 2/3	(341,776)
LEOFF 2	129,647
TOTAL	128,041

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (105,945)
Contributions subsequent to the measurement date	79,654	-
TOTAL	$ 79,654	$ (105,945)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 275,207	$ (25,144)
Net difference between projected and actual investment earnings on pension plan investments	-	(821,153)
Changes of assumptions	619,065	(162,093)
Changes in proportion and differences between contributions and proportionate share of contributions	85,543	(30,780)
Contributions subsequent to the measurement date	133,181	-
TOTAL	$ 1,112,996	$ (1,039,170)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 224,069	$ (8,749)
Net difference between projected and actual investment earnings on pension plan investments	-	(315,748)
Changes of assumptions	238,885	(82,108)
Changes in proportion and differences between contributions and proportionate share of contributions	12,244	(255,487)
Contributions subsequent to the measurement date	40,237	-
TOTAL	$ 515,435	$ (662,092)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 499,276	$ (33,893)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,242,846)
Changes of assumptions	857,950	(244,201)
Changes in proportion and differences between contributions and proportionate share of contributions	97,787	(286,267)
Contributions subsequent to the measurement date	253,072	-
TOTAL	$ 1,708,085	$ (1,807,207)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. 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	PERS 2/3	LEOFF 2
2023	$ (44,834)	$ (229,689)	$ (129,241)
2024	(40,720)	(207,141)	(116,035)
2025	(51,083)	(262,424)	(144,473)
2026	30,692	383,543	106,123
2027	-	131,493	9,851
Thereafter	-	124,864	86,880

NOTE 8. RISK MANAGEMENT

The City 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 166 members.

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members’ deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members’ deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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.

The City has liability coverage of at least $4 million per occurrence. There have been no settlements in excess of the City's insurance in the last three years. In the last three years, the City has only had one $400 expense that was not covered at all by insurance.

NOTE 9. LONG-TERM LIABILITIES

LONG-TERM DEBT

Bonds -Governmental Activities

General Obligation
The City issued publicly offered general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Both of the issuances listed below are collateralized by the full faith and credit and resources payable from property tax revenue. If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid. The bonds may be redeemed early, on any date on or after June 1, 2027, for either the 2017 or 2018 bonds, at a price equal to the principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

Name of Issuance	Purpose	Original Issue Amounts	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2017 LTGO Debt	Ridgefield Outdoor Recreation Complex	$9,455,000	10/5/2017	12/1/2047	3%-4%	8,635,000
2018 LTGO Debt	Ridgefield Outdoor Recreation Complex	$6,705,000	6/5/2018	12/1/2038	3%-4%	6,155,000
Total Governmental LTGO Bonded debt						$ 14,790,000

Annual debt service requirements to maturity for the bonds are as follows:

	Governmental Activites		
	Principal	Interest	Total Requirement
2023	$ 505,000	$ 552,175	$ 1,057,175
2024	525,000	537,025	1,062,025
2025	540,000	518,325	1,058,325
2026	565,000	496,725	1,061,725
2027	585,000	474,125	1,059,125
2028-2032	3,260,000	2,037,625	5,297,625
2033-2037	3,900,000	1,398,825	5,298,825
2038-2042	2,505,000	687,075	3,192,075
2043-2047	2,405,000	258,125	2,663,125
	$ 14,790,000	$ 6,960,025	$ 21,750,025

Annual debt service requirements to maturity for each of the governmental activities LTGO Bonds are as follows:

	2017 LTGO Debt		
	Principal	Interest	Total Requirement
2023	$ 220,000	$ 311,825	531,825
2024	230,000	305,225	535,225
2025	235,000	298,325	533,325
2026	245,000	288,925	533,925
2027	255,000	279,125	534,125
2028-2032	1,400,000	1,263,025	2,663,025
2033-2037	1,645,000	1,020,225	2,665,225
2038-2042	2,000,000	666,875	2,666,875
2043-2047	2,405,000	258,125	2,663,125
	$ 8,635,000	$ 4,691,675	$ 13,326,675

	2018 LTGO Debt		
	Principal	Interest	Total Requirement
2023	$ 285,000	$ 240,350	$ 525,350
2024	295,000	231,800	526,800
2025	305,000	220,000	525,000
2026	320,000	207,800	527,800
2027	330,000	195,000	525,000
2028-2032	1,860,000	774,600	2,634,600
2033-2037	2,255,000	378,600	2,633,600
2038	505,000	20,200	525,200
	$ 6,155,000	$ 2,268,350	$ 8,423,350

Direct Placement Bonds
The City issued direct private placement bonds to provide funds for the acquisition and construction of an operations center. The Bonds are collateralized by the full faith and credit and resources payable from property tax revenue. If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid. The bonds may be redeemed early without penalty on any payment date with fifteen days prior written notice provided to the bond holder.

Name of Issuance	Purpose	Original Issue Amounts	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2020 LTGO Debt	Operations Center	$4,400,000	5/14/2020	12/1/2035	2.42%	3,900,000
Total Governmental Direct Placement Bonds						$ 3,900,000

Annual debt service requirements to maturity for the direct placement bonds are as follows:

2020 LTGO Debt

	Principal	Interest	Total Requirement
2023	$ 259,000	$ 92,819	$ 351,819
2024	265,000	86,527	351,527
2025	271,000	80,066	351,066
2026	278,000	73,459	351,459
2027	285,000	66,695	351,695
2028-2032	1,531,000	226,076	1,757,076
2033-2035	1,011,000	43,221	1,054,221
	$ 3,900,000	$ 668,864	$ 4,568,864

On December 31, 2022, the City had $0 reserved for debt service payments in the debt service fund balance. The Real Estate Excise Tax (REET) fund is responsible for payment of the GO bonded debt. Through the budget appropriation process, arrangements are made for transfers from those funds to the debt service funds prior to payment of the debt.

Direct Borrowing Loans and Notes

The City receives direct borrowing loans to finance capital projects in the business-type activity funds. Direct borrowing loans are also often acquired in the general government funds to finance street improvements and to purchase capital assets. Loans and notes outstanding at year-end are as follows:

Direct Borrowing Loan and Notes

Name of Issuance	Original Issue Amounts	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
Governmental Activities						
CL18971	$ 750,000	Parks Land	3/24/2021	3/23/2025	0.00%	$ 500,000
NCL Capital Lease to own	472,118	Vacuum Excavation Truck	2/4/2022	2/28/2028	3.58%	399,801
Total Governmental Activities Direct Borrowing Loans and Notes						$ 899,801
Business-Type Activities						
PR20-96103-012	up to $359,000	DT Stormwater Enhancements	10/29/2019	6/1/2039	0.79%	$ 262,193
Total Business Type Direct Borrowing Loans and Notes						

The City entered into a private placement borrowing agreement for the purchase of land for parks development in March 2021. The private placement note bears interest at 0% and is payable in four equal installments beginning with the first payment in 2021. As of December 31, 2022, the balance of this note is $500,000.

The City entered into a private placement borrowing agreement for the purchase of a vacuum excavation truck in December 2021. The private placement note is a 7-year lease with a purchase option that the City intends to exercise. As of December 31, 2022, the balance on the loan is $399,801.

The City entered into a loan agreement, PR20-96103-012, to fund preconstruction activities in the Stormwater Fund. The loan is considered direct governmental borrowing. The contract was signed on October 10, 2019, for an amount up to $359,000. The initial term was for a 5-year loan but was converted to a 20-year loan. It will bear interest at 1.58%. As of December 31, 2022, the balance on the loan is $262,193.

	Governmental Activities			Business Type Activities		
	Loans from Direct Borrowing			Loans from Direct Borrowing		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2023	$ 310,914	$ 14,315	$ 325,228	$ 15,423	$ 4,143	$ 19,566
2024	313,095	12,134	325,228	15,423	3,899	19,322
2025	65,354	9,875	75,228	15,423	3,655	19,078
2026	67,694	7,535	75,228	15,423	3,411	18,834
2027	70,117	5,111	75,228	15,423	3,168	18,591
2028-2032	72,628	2,600	75,228	77,115	12,184	89,299
2033-2037	-	-	-	77,115	6,092	83,207
2038-2039	-	-	-	30,848	731	31,579
	$ 899,801	$ 51,569	$ 951,370	$ 262,193	$ 37,283	$ 299,476

Compensated Absences

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and proprietary fund financial statements. At December 31, 2022, the recorded liability for sick and vacation time amounted to $468,495 with $371,260 recorded in governmental activities and $97,235 recorded in business-type activities. See Note 1.D.8 for more discussion.

Arbitrage

The Tax Reform Act of 1986 requires the City to rebate the earnings on the investment of bond proceeds, in excess of their yield, to the federal government. Because positive arbitrage can be offset against negative arbitrage, the rebated amount fluctuates each year and may or may not be owed at the payment intervals. The City has no arbitrage liability at this time.

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes to the long-term debt obligations for the City during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds Payable					
General Obligation Bonds	$ 15,285,000	$ -	$ 495,000	$ 14,790,000	$ 505,000
Direct Placement Bonds	4,153,000	-	253,000	3,900,000	259,000
Issuance Premiums	790,773	-	37,106	753,667	37,107
Total GO Bonds Payable	20,228,773	-	785,106	19,443,667	801,107
Private Placement Loans	750,000	472,118	322,317	899,801	310,914
Leases	1,175,796	-	93,528	1,082,268	95,202
Compensated Absences	360,095	16,195	5,030	371,260	167,067
Net Pension Liability	203,613	305,433	-	509,046	-
Pollution Remediation Obligation	4,895	316	-	5,211	-
Total Governmental Activity Long-Term Liabilities	$ 22,723,172	$ 794,062	$ 1,205,981	$ 22,311,253	$ 1,374,290
Business-type activities					
Government Loans	$ 277,616	$ -	$ 15,423	$ 262,193	$ 15,423
Leases	38,878	-	438	38,440	455
Asset Retirement Obigation	495,869	43,636	-	539,505	-
Net Pension Liability	54,934	75,283	-	130,217	-
Compensated Absences	104,689	28,026	35,479	97,236	33,457
Total Business-Type Activity Long-Term Liabilities	$ 971,986	$ 146,945	$ 51,340	$ 1,067,591	$ 49,335

For governmental activities, compensated absences are generally liquidated by operating funds, such as the General Fund. The pension liability is generally liquidated by the General Fund and Street Fund.

NOTE 10. CONTINGENCIES AND LITIGATION

Litigation

The City of Ridgefield has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City of Ridgefield's insurance policies are adequate to pay all known or pending claims, and at this time, there are no outstanding claims against the City.

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

NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Loans between funds are classified as interfund loans receivable or payable or as advances to and from other funds and are shown in the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position. Within the City, one fund may borrow from another when specifically authorized by council resolution or ordinance. No interfund receivables or payables existed at year end.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year is as follows:

	Transfer To:			
Transfer From:	Capital Project Fund	Non Major Governmental Funds	Storm Utility	Total Transfer Out
General Fund	$ 338,767	$ 737,167	$ -	$ 1,075,934
Real Estate Excise Tax Fund		1,414,003	4,799	1,418,801
Nonmajor Govt Funds	4,156,872			4,156,872
Total Transfer In	$ 4,495,638	$ 2,151,170	$ 4,799	$ 6,651,607

General Fund transfers into the nonmajor governmental funds were made to support the Street Fund operations. Other transfers occurred to fund capital expenditures paid for by the Real Estate Excise Tax, Transportation Impact Fee and Park Impact Fee funds.

NOTE 12. LEASES

City as Lessor

On December 31, 2022, the City had one lease receivable in which it is acting as Lessor.

In September 2018, the City entered into a 10-year lease with up to 10 years of extensions. The lease is with a sports league for use of recreational outdoor space. The City is assuming the full extension period will be used. The receivable payments range from $6,000 annually to $6,340 at the end of the lease.

The City's schedule of future payments included in the measurement of the lease receivable is as follows:

	Lease Receivables		
	Principal	Interest	Total Requirements
2023	$ 3,402	$ 2,598	$ 6,000
2024	3,521	2,479	6,000
2025	3,644	2,356	6,000
2026	3,772	2,228	6,000
2027	3,904	2,096	6,000
2028-2032	27,365	9,475	36,840
2033-2037	28,629	3,075	31,704
	$ 74,235	$ 24,308	$ 98,544

City as Lessee

On December 31, 2022, the City has four leases in which it is acting as the Lessee for office equipment, office space and land for which it utilizes for the placement of a water tower. Refer to Note 6, Capital Assets, for additional information related to the Right to Use assets.

Governmental Activities has four leases, three for equipment and one for office space. The lease information is as follows:

Postage Machine	Ends: August 13, 2023	Period Payments: Monthly
Copiers (2)	Ends: October 23, 2023, and October 20, 2026	Period Payments: Monthly
Office Space	Ends: December 20, 2048	Period Payments: Annual through December 20, 2033. There are no payments from 2033 through the end of the lease.

Business Activities has one lease for land in which the City has placed a water tower. The lease information is as follows:

Water Tower Land	Ends: February 28, 2062	Period Payments: Annual

The City's schedule of future payments included in the measurement of the lease payable is as follows:

	Leases Payable		
	Governmental Activities		
	Principal	Interest	Total Requirements
2023	$ 95,202	$ 37,187	$ 132,389
2024	92,749	34,079	126,828
2025	95,876	30,952	126,828
2026	96,112	27,724	123,836
2027	90,280	24,582	114,862
2028-2032	501,070	73,240	574,310
2033-2034	110,978	3,884	114,862
	$ 1,082,268	$ 231,648	$ 1,313,916

	Leases Payable		
	Business-type Activities		
	Principal	Interest	Total Requirements
2023	$ 455	$ 1,345	$ 1,800
2024	471	1,329	1,800
2025	487	1,313	1,800
2026	504	1,296	1,800
2027	522	1,278	1,800
2028-2032	2,896	6,104	9,000
2033-2037	3,439	5,561	9,000
2038-2042	4,084	4,916	9,000
2043-2047	4,851	4,149	9,000
2048-2052	5,761	3,239	9,000
2053-2057	6,843	2,157	9,000
2058-2062	8,128	873	9,001
	$ 38,440	$ 33,561	$ 72,001

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

The remediation of the Lake River (Pacific Wood Treating or PWT) site within the Port District of Ridgefield, Washington is required by the United States Environmental Protection Agency (EPA) pursuant to its authority under the Resource Conservation and Recovery Act of 1976. The EPA transferred oversight of the cleanup to the State Department of Ecology under the Model Toxics Control Act, Ch 70.105D RCW. The Port is one of several parties named or considered a potentially responsible party.

A budget for cleanup costs has been prepared by the Port's environmental engineer. This budget is the basis for the estimates for the year ending December 31, 2022, in the amount of $3,473,926. This is measured at current value.

On November 5, 2014, Consent Decree Number 13-2-03830-1 (Consent Decree) was filed in Clark County, Washington. The Consent Decree is an agreement between the Port and Ecology as to what actions it will take to complete remedial activities at the site. The remedial activities included dredging sediments in Lake River and Carty Lake and capping the Port's Railroad Avenue property. The Port's Railroad Avenue property was capped in 2013.

The Port started the dredging work in Lake River and Carty Lake in 2014 and completed the work in 2015. There is ongoing monitoring and reporting associated with this work and these ongoing costs have been included in the December 31, 2022, estimate.

On December 8, 2014, the Port entered into Agreed Order DE 11057 (Agreed Order) with Ecology. The Agreed Order required the Port to sample properties adjacent to the Lake River Site for wood treating chemicals associated with the former PWT operations. This is considered the "Off-Property" portion of the PWT site. The Agreed Order required the Port to complete a remedial investigation and feasibility study (RI/FS), as well as a draft Cleanup Action Plan (CAP) for the Off-Property Portion. Investigation work was completed in 2015. Elevated concentrations of constituents associated with wood treating chemicals were discovered. Ecology determined that remediation of properties adjacent to the Lake River Site was necessary. The Port and Ecology determined that 29 properties required remediation. In 2016, twenty properties were remediated. The remaining nine properties were remediated in 2017.

In 2016, Ecology determined that the full extent of Off-Property impacts had not been fully characterized. The sampling area was initially expanded to the east and north, and sampling was completed in this "Phase 2" area in 2017. Based on the Phase 2 results, further characterization in a "Phase 3" area (north of Maple Street) was required. Sampling was completed in 2020 and a final RI/FS was submitted in 2021 and draft CAP were submitted to Ecology in 2020. Included in the December 31, 2022, estimate is a range of probable remediation costs for cleaning up the additional properties in the expanded (Phase 2 and 3) sampling areas. Variability in the estimate is associated with the fact that the cost estimates are based on the FS that has not yet been approved by Ecology. The range of estimates was determined by applying contingency factors between zero to 30 percent to the draft FS cost estimate.

Groundwater, sediment, and upland cap monitoring costs have very little variability. The Port was required to complete groundwater monitoring in 2016, in 2018, in 2020, in 2021, and is required to conduct monitoring again in 2023 and 2024. If groundwater conditions remain the same in 2021, the Port will advocate for a reduced groundwater monitoring sampling frequency starting in 2024. Costs for ongoing groundwater monitoring have been included in the December 31, 2022, estimate. Costs for required Carty Lake (in 2024) and Lake River (in 2025) sediment monitoring are included, as well as costs for the required yearly LRIS upland cap monitoring.

The State of Washington is considered a potentially responsible party (PRP) under GASB 49. The State entered into binding agreements with Pacific Wood Treating Company (former tenant) that allowed or permitted the release of runoff water onto state owned property. Through December 2010, the State has contributed 65% of the total cleanup costs. The State contributed 90% for the 2011 and 2012 grant/loan agreements. For the most recent grant/loan agreements, the State has committed to contributing 97%. The State's total contributive share is not yet realized or realizable. Therefore, the liability recognized on the Statement of Net Position is reduced by the expected recoveries.

The total expected outlays are $3,473,926. Estimated recoveries by the Port of Ridgefield are $3,369,708 leaving the remaining remediation obligation of $104,218 to be shared by the City and Port.

The City and Port are negotiating a cost sharing agreement to cover the remaining remediation obligation. The City is expecting to share in the costs incurred by the Port to monitor groundwater as required in the Consent Decree. Using the proportion of property once or currently owned by the City covered by the Consent Decree the City expects its responsibility to be less than five percent (5%) of the remaining remediation obligation. As a result, the City has reported $5,211 as a long term liability related to its pollution remediation obligations. As required by GASB 49, this amount will be remeasured when new information indicates changes in estimated outlays, for example, when the cost sharing agreement is finalized.

NOTE 14. UNEARNED REVENUE – IMPACT FEE CREDITS

Impact Fee Credits

The City of Ridgefield adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" calculated is greater than the amount of the impact fee due, the developer is entitled to request issuance of impact fee credits for the calculated difference. These credits are recorded as a governmental activity in the Government-wide Financial Statements.

Water system development charge credits are recorded as a business type activity. 2022 Impact fee credits and system development charge credit activity is as follows:

Impact Fee/Development Charge Credits	Beginning Balance	Additions	Applied	Ending Balance
Traffic Impact Fees	$ 5,343,829	$ 422,304	$ 2,371,860	$ 3,394,273
Park Impact Fees	1,002,240	525,646	1,048,708	479,178
	6,346,069	947,950	3,420,568	3,873,451
Water System Development Charges	$ 187,351	$ -	33,132	$ 154,219
	187,351	-	33,132	154,219
Total Impact Fee Credits	$ 6,533,420	$ 947,950	$ 3,453,700	$ 4,027,670

NOTE 15. JOINTLY GOVERNED ORGANIZATIONS AND RELATED PARTY

Emergency Services- CRESA

In 1975, Clark Regional Emergency Services Agency (CRESA) was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose was to provide a consolidated public safety communications service to participating cities, political districts, and Clark County.

Detailed financial statements for this entity can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

Wastewater Transmission/Treatment - Discovery Clean Water Alliance (Alliance)

On September 27, 2012, Clark County, Clark Regional Wastewater District and the Cities of Battle Ground and Ridgefield (City) created a new regional utility entity, the Alliance, under the empowerment of RCW 39.106 – the Joint Municipal Utility Services Act (JMUSA). The Alliance is governed by a four-member board, one elected official from each entity, and was established to provide wastewater transmission/treatment services to the citizenry of the respective participating members.

The City Sewer Utility assets were transferred to the Alliance on January 1, 2015. The City and the Alliance signed an operator agreement where the City continued to operate the Wastewater Treatment Plant. During 2018, the City transferred the operations of the wastewater treatment plant to Discovery Clean Water Alliance (the Alliance) and at the end of fiscal year 2018, the City no longer had an operating contract with the Alliance.

More information about the Alliance can be found on their website at http://discoverycwa.org/.

NOTE 16. ASSET RETIREMENT OBLIGATION

An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset that has a substantial cost to a government. An ARO is recognized when the liability is incurred and reasonably estimable. Incurrence of a liability requires both an internal obligating event and an external obligating event resulting from normal operations. An internal obligating event includes acquiring or placing a capital asset into operation. An external obligating event requires federal, state, or local laws or regulations, a binding contract, or issuance of a court judgement requiring specific actions to retire an asset.

The City owns, operates, and maintains six wells with an average useful life remaining of 41 years. Currently, the City does not foresee decommissioning into the foreseeable future. However, in the unlikely event that the City were to decommission these wells there are specific decommissioning requirements within the Washington Administrative code (WAC) 173-160-381. The City is also responsible for the decommissioning cost of a reservoir. The reservoir has a remaining life of 40 years. The reservoir is located on land owned by the Ridgefield School District. Per agreement the City would be responsible for decommissioning the reservoir and returning the land to its previous condition, if the reservoir is no longer in use, or the school district declines to extend the lease at the end of the term.

The City obtained engineer estimates to support these potential decommissioning costs and presents a liability at December 31,2022, of $539,505 and a Deferred Outflow of $344,170. Per GASB requirements, the estimates are analyzed for factors that may lead to significant changes in the estimated outlays and adjusted annually for the effects of general inflation or deflation based on changes in the west region consumer price index. An inflationary adjustment to the engineer's estimate of $43,636 was included in 2022 to the estimated decommissioning costs. There is $7,815 of annual amortization expense. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

NOTE 17. OTHER DISCLOSURES

Tax Abatement Programs
High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

The State of Washington administers this tax deferral program under Washington State RCW 82.60. The purpose of the program is to promote economic stimulation, create new employment opportunities in distressed areas, and reduce poverty in certain distressed counties in the state. During the year ended December 31, 2022, the state issued tax deferrals which reduced the City's revenue under the program. However, the State and therefore the City, is legally prohibited from disclosing taxpayer information for less than three taxpayers related to this program per RCW 82.32.330 (Disclosure of return or tax information).

Subsequent Events
The City has evaluated events subsequent to the fiscal year-end December 31, 2022, and has identified the following events:

- The City has proposed an initial consent decree with the Washington State Department of Ecology and property owners to complete remediation on a downtown parcel known as Park Laundry. The final plan has not yet been authorized. The City expects to enter into a consent decree with Ecology and the property owner's insurance company to complete the cleanup of the property.
- The City entered into a Lease/Purchase agreement in early 2023 for a new Street Sweeper. The agreement will be for a term of 7 years with approximately $65,000 annual payments beginning in 2023.
- The City has entered into a long-term lease with a private developer to lease space in a commercial/public shared facility for a new police station. Construction of the building is expected to open by May of 2023. The total base rent is approximately $400,000 for the 4 years and $205,000 - $230, 000 for the remaining 6 years on the ten-year lease term.
- The City will enter into a land lease for public land to locate a new YMCA facility in Ridgefield. Terms have not been finalized to date.
- The City is in the process of adopting a tax increment financing district in the I-5 junction area. The request for approval will go to the Council after June 1, 2023.

Federal Financial Assistance
The City recorded the following federal grant expenditures for 2022:

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	Assistance Listing Number	Other Award Number	Expenditures			Passed though to Subrecipients	Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Clark County Community Services)	Community Development Block Grants/Entitlement Grants	14.218	#2020-CDBG-2003	218,718	-	218,718	-	1,2,3
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	-	369	369	-	1,2,3
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriff's & Police Chiefs)	State and Community Highway Safety	20.600	NA	5,131	-	5,131	-	1,2,3
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Minimum Penalties for Repeat Offendors for Driving While Intoxicated)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	NA	1,110		1,110	-	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	NA	0	1,278,769	1,278,769	-	1,2,3
			Total Federal Awards Expended:	**224,959**	**1,279,138**	**1,504,097**	-	

NOTE 1 - BASIS OF ACCOUNTING
This schedule is prepared on the same basis of accounting as the City of Ridgefield's financial statements. The City uses the accrual basis of accounting.

NOTE 2 – INDIRECT COST RATE
The City of Ridgefield has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - PROGRAM COSTS
The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Ridgefield's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The City of Ridgefield has experienced rapid growth in recent years, resulting in more donated intangible assets in the form of easements and dedicated parks. In the year ended December 31, 2022, the City recognized a prior period adjustment of $4,297,767 for these donated capital assets that were received between fiscal year 2019 through fiscal year 2021. The prior period adjustments are categorized as follows:

	Governmental Activities	Business-type Activities	Total Primary Government
Capital assets, not being depreciated			
Land	$ 1,157,500	$ -	$ 1,157,500
Intangibles	2,280,182	-	2,280,182
Capital assets, being depreciated/depleted:			
Infrastructure	767,665	92,420	860,085
	$ 4,205,347	$ 92,420	$ 4,297,767

The Proprietary Fund statements prior period adjustments are classified between the Water Fund and Storm Water Fund as $37,585 and $54,835, respectively.

CITY OF RIDGEFIELD, WASHINGTON
Required Supplementary Information
Year Ended December 31, 2022

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.022959%	$ 639,263	$ 3,706,583	17.25%	76.56%
2021	0.021171%	258,547	3,267,081	7.91%	88.74%
2020	0.019803%	699,153	3,027,774	23.09%	68.64%
2019	0.018321%	704,507	2,569,878	27.41%	67.12%
2018	0.017876%	798,348	2,390,444	33.40%	63.22%
2017	0.017029%	808,039	2,167,600	37.28%	61.24%
2016	0.016141%	866,848	1,868,774	46.39%	57.03%
2015	0.014371%	751,737	1,647,024	45.64%	59.10%
2014	0.013762%	693,267	1,434,478	48.33%	61.19%

Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.029948%	$ (1,110,706)	$ 3,706,583	-29.97%	106.73%
2021	0.027196%	(2,709,159)	3,267,081	-82.92%	120.29%
2020	0.025802%	329,993	3,027,774	10.90%	97.22%
2019	0.023655%	229,770	2,569,878	8.94%	97.77%
2018	0.022947%	391,800	2,390,444	16.39%	95.77%
2017	0.021904%	761,059	2,167,600	35.11%	90.97%
2016	0.020658%	1,040,114	1,868,774	55.66%	85.82%
2015	0.018560%	663,159	1,647,024	40.26%	89.20%
2014	0.015702%	317,394	1,355,562	23.41%	93.29%

Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.034698%	$ (942,987)	$ (610,846)	$ (1,553,833)	$ 1,340,911	-70.32%	116.09%
2021	0.029789%	(1,730,268)	(1,061,116)	(2,791,384)	1,166,121	-148.38%	142.00%
2020	0.024206%	(493,768)	(315,727)	(809,495)	919,456	-53.70%	115.83%
2019	0.025205%	(583,923)	(382,391)	(966,314)	887,437	-65.80%	119.43%
2018	0.024029%	(487,841)	(315,868)	(803,709)	798,613	-61.09%	118.50%
2017	0.021843%	(303,110)	(196,622)	(499,732)	689,628	-43.95%	113.36%
2016	0.018625%	(108,328)	(70,622)	(178,950)	554,005	-19.55%	106.04%
2015	0.016106%	(165,537)	(109,453)	(274,990)	467,365	-35.42%	111.67%
2014	0.014435%	(191,559)	(125,159)	(316,718)	401,594	-47.70%	116.75%

Schedule of Employer Contributions
PERS 1
As of December 31
Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 154,000	$ (154,000)	-	4,097,959	3.76%
2021	148,985	(148,985)	-	3,483,186	4.28%
2020	151,012	(151,012)	-	3,147,945	4.80%
2019	135,977	(135,977)	-	2,754,859	4.94%
2018	125,197	(125,197)	-	2,472,398	5.06%
2017	113,990	(113,990)	-	2,325,555	4.90%
2016	93,017	(93,017)	-	1,950,033	4.77%
2015	80,460	(80,460)	-	1,812,174	4.44%
2014	64,907	(64,907)	-	2,227,135	2.91%

Schedule of Employer Contributions
PERS 2/3
As of December 31
Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 260,632	$ (260,632)	-	$ 4,097,959	6.36%
2021	248,104	(248,104)	-	3,483,186	7.12%
2020	249,335	(249,335)	-	3,147,945	7.92%
2019	212,942	(212,942)	-	2,754,859	7.73%
2018	185,432	(185,432)	-	2,472,398	7.50%
2017	159,716	(159,716)	-	2,325,555	6.87%
2016	121,486	(121,486)	-	1,950,033	6.23%
2015	103,283	(103,283)	-	1,812,174	5.70%
2014	77,946	(77,946)	-	2,205,719	3.53%

Schedule of Employer Contributions
LEOFF 2
As of December 31
Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 77,731	$ (77,731)	$ -	$ 1,518,192	5.12%
2021	66,137	(66,137)	-	1,288,099	5.13%
2020	52,595	(52,595)	-	1,021,255	5.15%
2019	46,038	(46,038)	-	885,369	5.20%
2018	45,343	(45,343)	-	863,756	5.25%
2017	38,589	(38,589)	-	748,914	5.15%
2016	30,431	(30,431)	-	602,589	5.05%
2015	24,661	(24,661)	-	471,525	5.23%
2014	25,356	(25,356)	-	484,795	5.23%

Notes to Required Supplemental Information - Pension

As of December 31
Last Nine Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

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.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	6/30/2021	12.97%	
7/1/2021	8/31/2022	10.25%	
9/1/2022	current	10.39%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	6/30/2021	12.97%	
7/1/2021	8/31/2022	10.25%	
9/1/2022	current	10.39%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

LEOFF 2

From this Date	Through this Date	Employer Rate	
9/1/2013	6/30/2017	5.23%	
7/1/2017	6/30/2019	5.43%	
7/1/2019	6/30/2021	5.33%	
7/1/2021	current	5.30%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

Effective July 1, 2019, LEOFF employers must pay an additional 3.44% to pick up the state contributins on basis salary paid for services rendered to non-LEOFF employers

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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