



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Richland

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

Published September 28, 2023

Report No. 1033313



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

September 28, 2023

Mayor and City Council
City of Richland
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Richland
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, 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 August 31, 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.

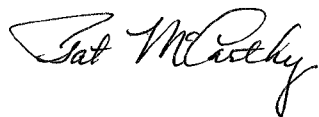
REPORT ON COMPLIANCE AND OTHER MATTERS

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.

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

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2023

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Richland, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated September 21, 2023.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, 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 discretely presented component units and remaining fund information of the City of Richland, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Industrial Development funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 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.

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

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2023

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet – Governmental Funds – 2022

Reconciliation of Balance Sheet to the Statement of Net Position – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
– General Fund – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
– Industrial Development Fund – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Custodial Funds – 2022

Statement of Changes in Fiduciary Net Position – Custodial Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Post Employment
Healthcare Plan, Firefighters and Police – 2022

Schedule of Changes in Total Pension Liability and Related Ratios – Fire and Police OPEB
– 2022

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2022 Annual Comprehensive Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

The activities of the City are classified as either governmental, business-type, or other, depending on the nature of services provided and how those services are funded.

Governmental activities are the basic services of the City such as police and fire, street maintenance, park amenities, etc. and are primarily funded through taxes and other general revenues.

Resources are collected from all citizens in the form of taxes and other sources and are used collectively to provide governmental services.

The focus of accounting and reporting on governmental activities is to show the resources received, to what extent they were used to provide services, and what resources remain to fund services in the upcoming period. This is called the "Current Financial Resources" measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available revenues are those that are collected during the year, and soon enough after the close of the fiscal period (usually within 60 days) to pay the liabilities of the current period. Expenditures are generally recognized when a liability is incurred. Exceptions are the payment of debt and related interest, compensated absences and judgments as the entire amount owed will span multiple years.



Governmental funds are used to account for governmental activities. Governmental funds are divided into the General, Special Revenue, Debt Service and Capital Projects funds. The General Fund is the main operating fund of the City and accounts for all activities not accounted for in other governmental funds. Special Revenue Funds account for resources which are collected for a specific purpose. The use of these funds demonstrates that those resources are being used for their intended purpose. Debt Service funds account for the repayment of long-term debt. Capital Projects funds account for the construction of major governmental facilities.

For efficiency in reporting, certain funds are reported individually as "Major Funds" while the remaining activities are reported in aggregate. A fund is considered to be major when its assets, liabilities, revenues, or expenses are at least ten percent of the aggregated total for all governmental funds; and, at least five percent of the aggregated total for the City as a whole. A fund can also be identified as major if it is considered particularly important, even if it does not meet these thresholds. The City's major governmental funds are the General Fund, Industrial Development Fund and Streets Capital Construction Fund.



Business-type activities are services such as electric, water, sewer and solid waste that are provided to Richland's citizens. These services are operated in a manner similar to private-sector businesses, with the exception of a profit motive. Each user of the service is assessed a charge that is a combination of their share of having the service available to them and their direct use of the service. Collectively, these charges should fully recover the cost of providing the service.

Business-type activities are accounted for in the City's proprietary funds. Transactions and events of these activities are recorded and reported, based on how they have changed the economic resources of their respective funds during the period. Revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Proprietary funds are further divided into fund types that account for services provided to external users, (i.e. citizens), and fund types that account for services provided to internal users, (i.e. other city departments). Services provided to external users are accounted for in proprietary funds called "Enterprise Funds," while services provided to internal users are accounted for in proprietary funds called "Internal Service Funds."

As with governmental funds, the City reports certain business-type funds as "Major". The City's Electric, Water and Sewer Funds are the three major business-type funds.

Other activities include custodial funds, which are fiduciary in nature. The custodial funds account for activities where the City acts in a custodial manner on behalf of other external agencies or organizations. Resources in the custodial funds do not belong to the City and cannot be used to support the City's own programs.

The statements and other supporting information contained in this report provide information on all the City's governmental, business-type and other activities, as well as a discreetly presented component unit, the Richland Public Facilities District. This report contains the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. Required supplementary information (other than this discussion and analysis)
5. Other supplementary schedules
6. Statistical tables

The following provides a more detailed description of each component of the report, and the information it presents.

Government-Wide Financial Statements present the City's overall financial position as of December 31, 2022, and the activities that resulted in that position. It further provides the financial position and activities of the component unit. The financial position is found in the Statement of Net Position, while the activities resulting in the ending financial position are found in the Statement of Activities. Governmental and business-type activities are aggregated in their own respective columns.

Internal service fund activities and net position are not reported individually. Rather, each internal service fund is combined within the governmental-type or the business-type activity columns depending on which type it predominantly serves.

Most transactions occurring between activities have been eliminated from these statements to avoid presenting the same expenses, and recovery of those expenses, multiple times. Exceptions would be transactions which, if excluded, would distort the cost data reported for the City's various functions.

While the fund financial statements report governmental activities using the modified accrual basis of accounting, the Government-Wide statements present governmental activities and financial position on a full-accrual basis. This corresponds to the presentation of the business-type activities, thereby providing the reader with a consistent presentation for the entire City.

Fund financial statements present governmental activities in statements prepared using the modified accrual basis of accounting. Each major fund is presented individually, and all remaining funds are aggregated in the fund financial statements. Budgetary comparison statements for the general fund and special revenue funds are presented as well. Budgets are statutorily required for most governmental funds and are an invaluable tool to ensure the City maintains adequate control over its spending. The budgetary comparison statements provide the reader with information on how the City's actual revenues and expenses compared to both the originally anticipated resources and uses, and to the final revised anticipated resources and uses.

Business-type activities are presented in statements using the full-accrual basis of accounting. Each major business-type fund is presented individually, with all remaining funds in aggregate. Internal service funds are integrated into the government-wide statements and are aggregated and presented in a separate column on business-type fund financial statements. The interfund transactions which were eliminated for government-wide reporting are presented in full in the fund financial statements.

To bridge the differences in the financial position and activities presented in the fund statements and those presented in the government-wide statements, a reconciliation accompanies the fund statements, showing the reader the adjustments needed to convert to the ending position and activities presented in the government-wide statements.

Notes to the Financial Statements provide explanations and disclosures regarding how information is compiled and presented in the statements. They also provide useful information on the balances presented in the financial statements. The notes assist the reader in understanding the financial information and balances presented in the statements, as well as provide the reader with additional information on other transactions and events which impact, or will impact, the City's future financial position.

Required Supplementary Information (RSI), other than this discussion and analysis, presents information on the funding progress for the City's Other Post-Employment Benefits (OPEB), and on anticipated amounts needed to fulfill the City's pension obligations. Pension obligations discussed in RSI include the City's ratable share of State PERS and LEOFF plans, as well as those statutory obligations arising from past service of participating police and firefighters who were hired by the City prior to October 1, 1977.

FINANCIAL HIGHLIGHTS

This discussion and analysis provide information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2022.

Below are comparative, condensed financial information based on the Government-wide Statements in this report:

Condensed Statement of Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 152,947,824	\$ 155,074,033	\$ 71,078,859	\$ 74,279,311	\$ 224,026,683	\$ 229,353,344
Restricted cash and investments			34,659,805	49,371,123	34,659,805	49,371,123
Capital assets, net	206,238,246	202,979,195	337,162,510	316,489,530	543,400,756	519,468,725
Total assets	359,186,070	358,053,228	442,901,174	440,139,964	802,087,244	798,193,192
Deferred outflows of resources	11,103,740	4,206,124	6,488,144	2,576,164	17,591,884	6,782,288
Current liabilities	13,839,805	14,127,131	17,655,424	20,598,924	31,495,230	34,726,055
Long-term liabilities outstanding	60,434,613	65,585,495	114,752,360	120,761,627	175,186,973	186,347,122
Total liabilities	74,274,418	79,712,626	132,407,784	142,172,000	206,682,203	221,073,177
Deferred inflows of resources	25,907,989	27,785,526	7,662,972	14,891,806	33,570,961	42,677,332
Net Position:						
Net investment in capital assets	163,201,508	166,048,664	231,842,676	209,892,995	395,044,184	375,941,659
Restricted	57,540,069	47,456,434	32,637,350	28,163,288	90,177,419	75,619,722
Unrestricted	49,365,827	41,544,976	44,838,536	48,407,488	94,204,363	89,952,464
Total net position	\$ 270,107,404	\$ 255,050,074	\$ 309,318,562	\$ 286,463,771	\$ 579,425,966	\$ 541,513,845

Amounts may not foot exactly due to rounding



City of Richland, Washington
Annual Comprehensive Financial Report
Management's Discussion and Analysis
For the Year Ended December 31, 2022

Condensed Statement of Activities

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2022	2021	2022	2021	2022	2021
REVENUES:						
Program Revenues:						
Charges for services	\$ 22,672,510	\$ 22,145,106	\$ 130,057,443	\$ 127,350,143	\$ 152,729,953	\$ 149,495,249
Operating grants & contributions	2,476,719	2,543,280	1,183,261	1,316,500	3,659,981	3,859,780
Capital grants & contributions	4,600,065	7,394,837	6,106,815	5,554,974	10,706,880	12,949,810
General Revenues:						
Property taxes	20,870,527	20,167,579			20,870,527	20,167,579
Other taxes	46,675,796	45,711,694			46,675,796	45,711,694
Other	(3,094,411)	1,463,007	(2,777,462)	(487,885)	(5,871,873)	975,122
Total revenues	94,201,206	99,425,503	134,570,057	133,733,731	228,771,263	233,159,234
EXPENSES:						
Judicial	556,123	661,551			556,123	661,551
General government	17,905,125	13,652,099			17,905,125	13,652,099
Public safety	29,068,229	29,806,690			29,068,229	29,806,690
Physical Environment	101,323					
Transportation	11,824,546	10,403,708			11,824,546	10,403,708
Health & human services	9,053	17,471			9,053	17,471
Economic environment	6,103,614	6,459,960			6,103,614	6,459,960
Culture & recreation	10,221,142	7,238,877			10,221,142	7,238,877
Interest on long-term debt	1,322,491	1,447,430			1,322,491	1,447,430
Electric			72,351,881	68,841,236	72,351,881	68,841,236
Water			12,511,940	12,965,380	12,511,940	12,965,380
Wastewater			9,170,006	9,357,585	9,170,006	9,357,585
Solid waste			9,246,074	10,343,972	9,246,074	10,343,972
Stormwater			1,638,167	1,756,865	1,638,167	1,756,865
Golf course			2,097,267	2,014,493	2,097,267	2,014,493
Medical services			6,608,159	5,206,762	6,608,159	5,206,762
Broadband			294,241	265,445	294,241	265,445
Total expenses	77,111,645	69,687,787	113,917,734	110,751,737	191,029,379	180,439,524
Excess/(deficiency) before transfers	17,089,561	29,737,716	20,652,323	22,981,994	37,741,884	52,719,710
Transfers	(2,173,755)	(853,048)	2,173,755	853,048		
Change in net position	14,915,806	28,884,668	22,826,079	23,835,042	37,741,885	52,719,710
Net position, January 1	255,050,075	226,165,407	286,463,771	262,688,130	541,513,846	488,853,537
Prior period adjustments	141,523	0	28,714	(59,401)	170,237	(59,401)
Net position, December 31	\$ 270,107,404	\$ 255,050,075	\$ 309,318,562	\$ 286,463,771	\$ 579,425,966	\$ 541,513,846

Amounts may not foot exactly due to rounding

FINANCIAL RESULTS

Government-Wide Activities

Overall, the City's 2022 activities resulted in a \$37.7 million increase in net position before applying prior period adjustments. Adjustments to beginning net position reflecting prior period activity resulted in an increase of \$170,237 and did not have a significant effect on the total increase in net position. A discussion of these adjustments can be found under the heading "Prior Period Adjustments" in Note 1 to the Financial Statements. By comparison, net position increased \$52.7 million in 2021 before prior period adjustments. The continued growth from one year to the next reflects the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2022, \$94.2 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities' net position increased \$15.1 million, while net position increased \$22.9 million as a result of business-type activities.

Total revenues on the Government-Wide Statement of Activities were \$4.4 million lower than the prior year. Governmental revenues were \$5.2 million lower than the prior year, while business-type activity revenues were \$0.8 million higher. In the Business-type activities the largest variances were a \$2.7 million increase in charges for services, mostly offset by a \$2.6 million decrease in recognized investment income. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.

Governmental activities' charges for services increased slightly, about \$0.5 million over the previous year. This was largely due to the reclassification of Tourism Promotion Area assessments of \$0.76 million to this category. In prior years this revenue had been reported in Other taxes in the general revenues section of the Statement of Activities.

Governmental activities' operating grants and contributions were nearly identical to the prior year, decreasing \$66,561.

Governmental activities' capital grants and contributions decreased \$2.8 million from the prior year. Capital grants typically fluctuate depending upon the projects that are being pursued. Transportation grants and contributions for street construction projects account for nearly \$1.9 million of this decrease, mainly due to the completion of two large projects in the prior year. The rest of the decrease was due to Public Safety and Culture & Recreation grants received in 2021 that were one-time items.

In the general revenues section of the Statement of Activities, total tax revenues increased by nearly \$1.7 million over the prior year. New construction remained steady, resulting in an increased tax base and a \$702,948 increase in property tax revenues. Sales tax revenue continued its upward trend, posting a \$1.1 million increase due to increases in sales activity. Utility taxes collected increased \$483,933 over the prior year. Real Estate Excise Tax decreased \$364,779, after posting a \$1.8 million increase the year before. Minor increases and decreases in other taxes occurred, rounding out the rest of the change in tax revenues.

Other general revenues in governmental activities include investment earnings and gains on disposition of assets. Investment earnings decreased by nearly \$3.5 million, mainly as a result of losses recognized on investments when they were adjusted to market values as of the end of the year. Market conditions can vary widely over the course of a year. In 2022, interest rates on short-term investments increased dramatically in response to the Federal Reserve's monetary policy, resulting in a decrease in the value of existing investments in municipal bonds and federal debt. Because the City holds its investments until maturity, these losses will reverse in subsequent periods.

Gain on sale of land held for resale in 2022 was \$1.1 million lower than the prior year. This revenue is highly variable depending on the interest of potential buyers in acquiring land located primarily in the City's industrial area.



*...the City's 2022
activities resulted in a
\$37.7 million increase in
net position ...*



Salaries and benefits are the most significant expense of the City, aside from wholesale power purchases. On the City-wide Statement of Activities, Governmental-type activity expenses were higher than the prior year, showing a \$7.4 million increase, while business-type activity expenses increased \$3.2 million. Looking at the changes in Governmental activities' expenses by functional category, we noted the following variances in comparison with the prior year: General government expenses increased by nearly \$4.3 million, Culture & recreation expenses increased by \$3.0 million, and Transportation expenses increased by \$1.4 million. The largest part of these changes in expenses was due to the amount of pension expense generated by incorporating the state pension information into the government wide statements, versus the prior year: \$3.0 million increase in General government, \$2.1 million in Culture & recreation, and operating expenses also increased by \$713,188. Approximately \$2.0 million of the Culture & recreation increase was related to the change in pension expense. The increase in Transportation expense was mainly due to increases in operating costs and depreciation expense.

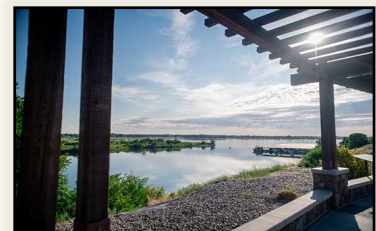
In business-type activities, electric utility expenses increased \$3.5 million; while water utility expenses decreased \$453,440; sewer utility expenses decreased \$187,579; solid waste utility expenses decreased \$1.1 million; stormwater expenses decreased \$118,698; golf course expenses increased \$82,774; and medical services utility expenses increased \$1.4 million. More detail on activities of the major business-type funds is presented later in this discussion and analysis.

Following is a more in-depth discussion of the conditions affecting ending net position by activity type.

Governmental Activities

Governmental activities account for \$270.1 million in total net position at year end, a \$15.1 million increase over the prior year. The unrestricted portion of ending net position was \$49.4 million. The primary contributors to governmental activities' total net position are usually capital and debt-financed capital activities, as well as operating activities found in the City's General Fund.

Capital and Debt-Financed Capital: Governmental activities' net investment in capital assets decreased \$2.8 million in 2022. This balance reflects not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$206.7 million in total city liabilities, \$39.6 million or 19.2% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$6.6 million in general obligation debt is voter approved and supported by a special property tax levy, while the remaining \$33.0 million is non-voted or "Councilmanic" debt.



The City maintains strong credit ratings on its general obligation debt with a Standard & Poor's rating of AA+ on Unlimited Tax General Obligation Debt and Limited Tax General Obligation Debt. For more information on long-term debt see Note 4 in the Notes to the Financial Statements.

Improvements to parks, public safety and transportation infrastructure remain a high priority for the City. City facilities have also risen in priority in the last few years, especially as the population increases and the City's borders continue to expand. Following are some of the major governmental capital outlays for fiscal year 2022. For more information on capital assets see Note 3 in the Notes to the Financial Statements.

- The City anticipated the need for additional fire stations to meet current and future demands as our population grows and spreads towards our borders. The City spent a total of \$2.3 million on land purchases and land improvements intended for future public safety response facilities, including \$1.3 million for a purchase of land located at 515 George Washington Way (former Economy Inn location); \$0.8 million for a purchase of land located at 4307 Trowbridge Boulevard at Badger Mountain South; and \$0.2 million for a future fire station in the Horn Rapids Residential Golf Course Community.
- The City has begun design work and equipment purchases related to a new Southwest Public Safety facility located in the Badger Mountain South community and spent \$163,889 on the project in 2022. This public safety facility will provide initial emergency medical, law enforcement and fire response capability to the citizens of Southwest Richland in the Badger South Development as well as the Dallas Rd, I-82 and Reata corridors.
- The City spent \$563,527 to upgrade the City-owned parking lot at the Uptown Shopping Center with respect to the Americans with Disabilities Act (ADA). The City acquired property at the shopping center in 1993 and installed improvements in 1994 prior to the establishment of ADA standards in 2010.
- The City acquired a parking lot easement from the United States General Services Administration for 80 parking spaces in the Richland Federal Building parking lot. GSA requires delineation of the City parking with a curb, signage, and landscaping. The City spent \$353,063 on the easement and \$5,280 on the improvements in 2022.
- The City has begun the first phase of West Village Park construction and spent \$240,632 on the project in 2022. West Village Park is the larger, 30 acre park of two planned City parks in Badger Mountain South, that will provide neighborhood and community park amenities to the residents. The project is fully funded by park impact fees.
- The City owns and operates a number of parks and facilities and strives to continuously renew and improve them. Some of the major improvement projects in 2022 included \$149,590 spent on Claybell Park pickleball court reconstruction and \$116,308 spent on Richland Community Center lobby remodeling.
- The City spent \$3.6 million on the ongoing Pavement Preservation program. This program preserves a vital element of the City's infrastructure. Additionally, the City implements its Complete Streets Policy (RMC 12.06) by restriping streets to include bike lanes and on-street parking delineation as part of this program.
- Some of the major infrastructure construction projects included \$1.6 million on Center Parkway North extension, \$1.3 million on LED streetlight retrofit program, and \$1.0 million on citywide traffic signal systemic safety improvements. Additional details on these projects can be found below in the Streets Capital Construction Fund section of this discussion.

Major Governmental Funds

General Fund activity resulted in a fund balance decrease of \$11.8 million in 2022. In comparison, 2021 General Fund activities resulted in a \$8.5 million increase. Revenues decreased by \$163,327 or 0.2%, while expenditures increased by \$4.8 million or 9.1%. In addition to revenues and expenditures, the General Fund receives transfers from other funds, and also transfers money out to other funds. Interfund transfers

into the General fund increased by \$1.9 million in 2022 versus the prior year, while transfers out from the General fund to other City funds increased by \$17.3 million.

Tax revenues are the primary revenue source for the General Fund. Property taxes increased by \$568,445 mainly due to new residential and commercial construction in Richland. Sales taxes were strong and increased by \$1.0 million, reaching a new record high, and utility taxes increased by \$455,565. Charges for services decreased by \$689,943, mainly related to cost allocation charges to City departments outside the General Fund offset by various other smaller increases and decreases. Interest and investment earnings decreased by \$1.3 million due to fair market value adjustment.

General Fund operating expenditures on the 2022 Statement of Revenues, Expenditures and Changes in Net Position were \$4.8 million higher than the prior year. The increase mainly occurred in public safety, culture and recreation and general governments.



\$2.2 million or 4% of all General Fund expenditures in 2022 were spent on Fleet vehicles and Heavy Equipment Replacement Program, a \$1.2 million increase compared to 2021. A 5-year plan for fleet services and equipment replacement is maintained and updated annually. Contributions are made into equipment replacement fund in accordance with the plan so that vehicles and equipment are replaced at the optimum time based on analyzing costs and best practices.

With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the Annual Comprehensive Financial Report, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 96.9% and 87.2% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$4.1 million more than the adjusted budget, an 8.5% variance. The next largest budget-actual dollar variance in revenues was intergovernmental, at \$4.0 million less than the adjusted budget, a 64% variance, mostly due to delayed recognition of federal COVID-19 (ARPA) funds as revenue until the City expends proceeds on a future capital project. Another significant budget-actual dollar variance in revenues was in investment earnings, at \$1.8 million less than the adjusted budget.

The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$5.4 million below the adjusted budget. This was primarily due to budgeted expenditures for the ERP project in the Information Technology department (\$2.8 million) and in salary savings from vacant positions in various departments. Most of the IT division amounts not spent in the current year are carried over to the subsequent year to continue this project. Other less significant general governmental budget variances occurred throughout the remaining divisions.

Following are the significant adjustments made to the General fund original budget in 2022:

- As discussed in the March 22, 2022 City Council workshop, the capital improvement project to build Fire Station 76 was planned for the 2023 budget year. Due to multiple factors, it was determined that the design work and equipment purchases need to begin in 2022; therefore, the CIP project for \$10,500,000 was accelerated to 2022, resulting a \$6.3 million increase in appropriation in General Fund. The project is funded by a combination of grants, American Recovery Plan Act (ARPA) funds, General Fund reserve balance and a Medical Services Fund reserves. These funds were transferred to the Equipment Replacement Fund and Fire Station Construction Fund for purchasing and construction.
- \$805,635 was appropriated to utilize a transfer from the Park Reserve Fund to purchase property developments at West Village Park in the Badger Mountain South from Nor Am Investment, LLC.
- \$550,000 was appropriated to transfer to Parks Projects Construction Fund for Uptown shopping center parking lot upgrades.
- \$202,710 was appropriated for a public safety video camera system, to include body-worn cameras. The City entered into a five-year agreement in 2021 for an annual cost of \$202,710, and appropriations for the second year of the contract were inadvertently excluded from the 2022 Budget.
- \$608,000 was appropriated to utilize a transfer from the Industrial Development Fund providing additional funds needed to purchase land located at 515 George Washington Way (former Economy Inn location).
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$4,456,475.



Industrial Development Fund activities resulted in a fund balance decrease of \$154,104 in 2022. By comparison, 2021 activities resulted in a \$115,451 increase in fund balance. Revenues increased by \$1.2 million or 68%, while expenditures increased by \$186,168 or 39%. Other financing sources decreased \$1.3 million or 32%.

Rents and leases are the primary revenue source for the Industrial Development Fund. Revenues increased by \$178,198 due mainly from increased rents and leases. GASB statement no. 87, *Leases* affected the fund by causing it to become a major fund this year, whereas in prior years it was reported as a non-major special revenue fund. Adding the future revenue from leases caused Leases Receivable and Deferred Inflow of Resources to increase by \$8.3 million.

Revenues decreased from the prior year by \$0.8 million primarily due to less land sale activity. Expenditures increased broadly across all categories. The highest increase was seen in contracted services to prepare land for eventual sale, and allocated administrative costs. The department incurred costs associated with preparing industrial land for sale. While transfers out of the department decreased \$1.3 million from the prior year, mainly due to project delays due to economic factors such as supply chain shortages and increased financing costs for developers. The department was able to fund completion of the first phase of the First Street Extension Project, accounted for in the Streets Construction Fund, and continued to fund transportation projects on Henderson Loop and Clubhouse Lane Phase 2.

Overall, revenues and expenditures were 68% and 39% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in Disposition of land held for sale, at \$7.93 million less than the adjusted budget, a 90% variance. Anticipated land sales for 2022 are still in the negotiation process and may result in future sales revenue. The largest budget-actual dollar variances in expenditures were Salaries and Expert Services. The department budgeted for an additional employee, however restructuring of the department due to stalled projects and future revenue land sales, the additional employee was moved to a different department. Expert services fell below budget because projects were postponed to future years to align with revenue from land sales. Overall expenditures fell below budget by \$270,421. Capital expenses were below expected costs by a difference of \$273,809 because land development around areas of land sales were stalled by sales negotiations and supply chain shortages. Interfund transfers out were \$11.3 million below budget as projects were postponed to future years pending land sale revenues.

Streets Capital Construction Fund activities resulted in a fund balance increase of \$2.8 million in 2022. By comparison, 2021 activities resulted in an \$1.5 million increase in fund balance. Revenues decreased by \$2.7 million or 44%, while expenditures decreased by \$2.3 million or 20%. Other financing sources increased \$1.7 million or 24%.

Intergovernmental revenues, generally grants, are the primary revenue source for the Streets Capital Construction Fund, as most projects in this fund are grant-reimbursable. Grants represent nearly \$2.1 million of the decrease in revenues over the prior year.

Following are some of the major projects accounted for in the Streets Capital Construction Fund in 2022:

- The largest project was the ongoing Pavement Preservation program with expenditures totaling \$3.6 million or 40% of all expenses in the fund. The program invests in preserving city's paved streets and completes street resurfacing using techniques selected to achieve the lowest life-cycle costs while maintaining street conditions at the selected standard. The program completes drainage improvements where they are needed to preserve pavement condition and also completes pedestrian access facilities required by federal regulations.
- Next largest project expenditures were for Center Parkway North Extension. Capital expenditures on the project were \$1.6 million or 17% of all 2022 expenses in the fund. The project would construct a new 3 lane roadway with bike lanes, curb, gutter and sidewalks on both sides of the street from Tapteal Drive to Gage Blvd.
- \$1.3 million or 14% of all 2022 expenses in the fund were spent on Street Light Retrofit to LED Technology project. Conversion from high pressure sodium lighting technology to LED street lighting can provide a number of benefits to the community, including energy savings, improved reliability, maintenance savings, and improved safety. The project is estimated to reduce the Streets Division's costs for street light operation and maintenance by more than \$300,000 per year, resulting in a conservative payback estimate for the project at less than eight years.

- \$1.0 million or 11% of all 2022 expenses in the fund were spent on citywide Traffic Signal Systemic Safety Upgrades. The project will provide improved functionality at signals to make travel movements safer and more efficient through a combination of enhanced visibility and enhanced electronic controls. The improvements include installing flashing yellow arrow signalization upgrades at select intersections; upgrades to signal head size; installation of retroreflective backplates at all intersections; and pedestrian upgrades to select intersections.

Business-Type Activities

Business-type activities resulted in an ending net position of \$309.3 million, reflecting an increase of \$22.9 million. Unrestricted net position decreased by \$3.6 million to provide a total of \$44.8 million in available resources to finance future activities of the business-type funds. The primary contributors to business-type net position are activities found in the City's three major business-type funds: The Electric, Water, and Wastewater funds, which comprise 79% of the total business-type net position.

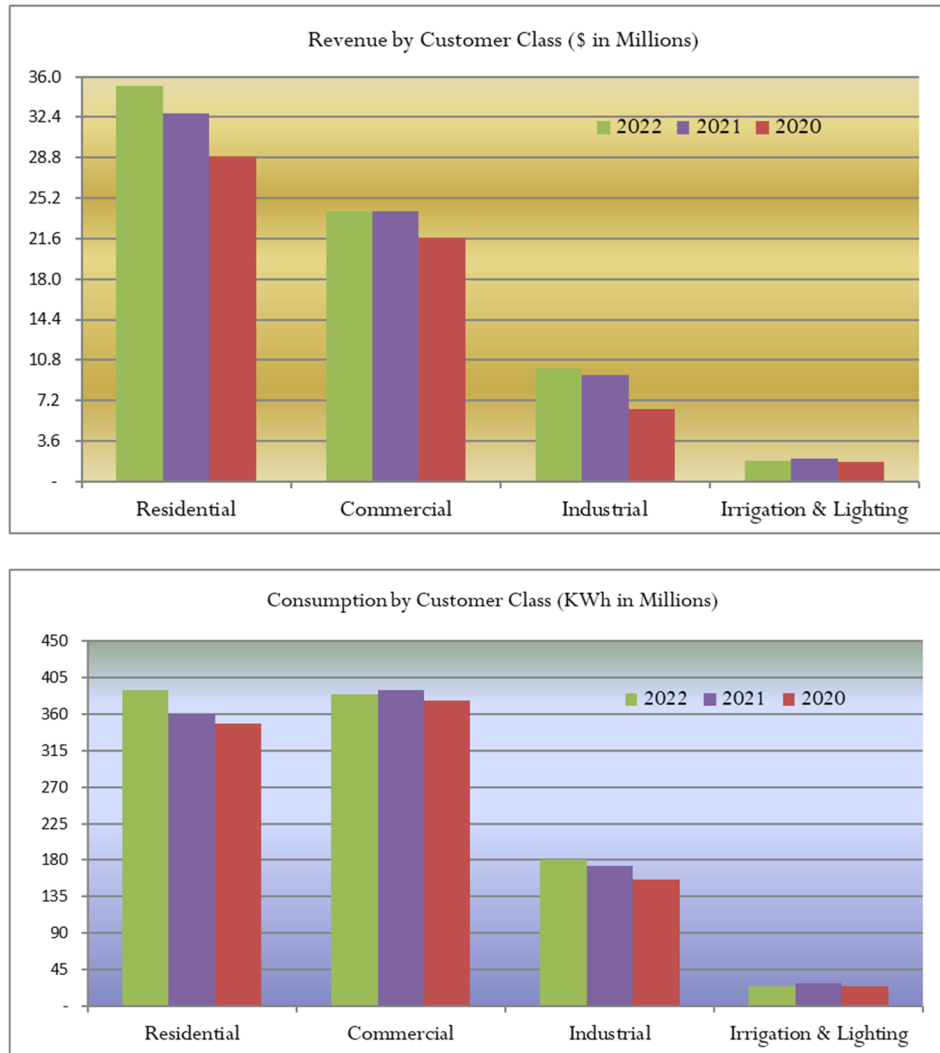
Electric Fund activities increased ending net position by \$8.4 million or 11.6% above the previous year-end balance. Annual debt repayment of \$3.3 million and depreciation of \$6.6 million were offset by the utility's \$13.8 million investment in capital. In response to forecasted growth in customer and consumption base, \$9.3 million in capital outlays was for projects that constructed, renewed and extended existing distribution infrastructure, as well as improved and expanded substation infrastructure. Capital outlay for equipment, machinery and software totaled over \$4.5 million.

Operating revenue increased \$3.3 million or 4.3% due to inconsistencies in customer loads and weather patterns. The last system-wide rate increase went into effect on June 1, 2019 and due to BPA rate adjustments, there is no additional utility rate action planned until 2024.

System-wide energy consumption increased 2.9% and total customer accounts increased 1.2% in 2022. When looking at energy consumption changes by customer class, residential consumption increased by 8.1%, commercial consumption decreased by 1.4% and industrial consumption increased 4.5%. The irrigation and lighting class decreased by 14.1%.

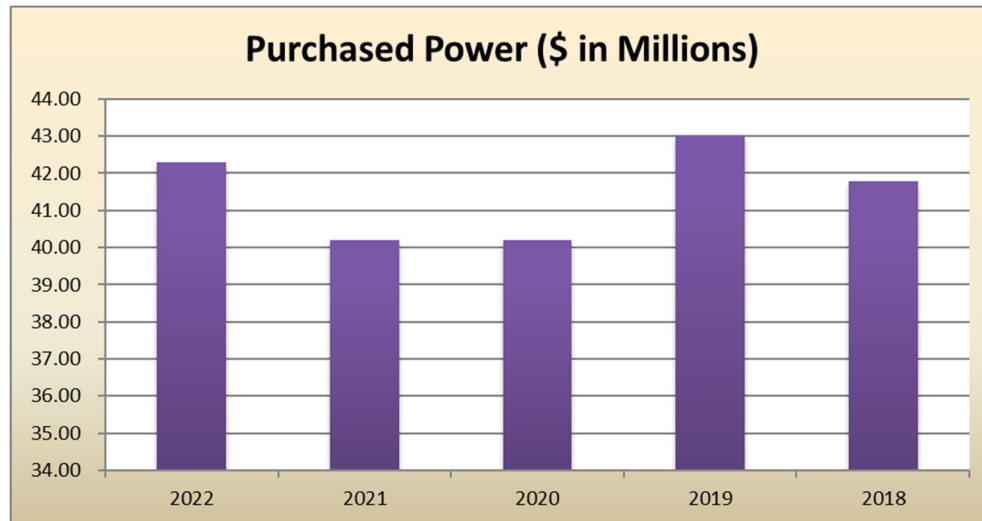
Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. The 2022 weather was typical for the area with extended summer periods with highs over 100 and winter low temperatures getting into single digits. June's weather spiked with a coincidental peak system demand set at 204MW. Trends of increasing commercial loads from economic development activity and decreasing residential energy consumption because of the City's energy conservation program investment are expected.

The following graphs summarize energy revenue and consumption by customer class:



Operating expenses increased \$3.7 million or 5.8% over the prior year. With weather factors impacting customer load in 2022, wholesale power cost increased \$2.1 million. Additionally, the pension cost credit was \$600,00 compared to the 2021 credit of \$2.0 million. The credit is the result of State retirement plan investment earnings creating a pension asset at the system level. In previous years, the State plans typically carried plan liabilities. Richland, in tandem with other regional utilities, is constantly evaluating alternatives for its future wholesale power supply. The utility is currently in the 4th year of purchasing non-Federal power resources for new base power load and along with the base power load provide by BPA, the short-term purchased power outlook is stable. Operating expenses in total are continually being mitigated by cost containment measures taken during the budget development process.

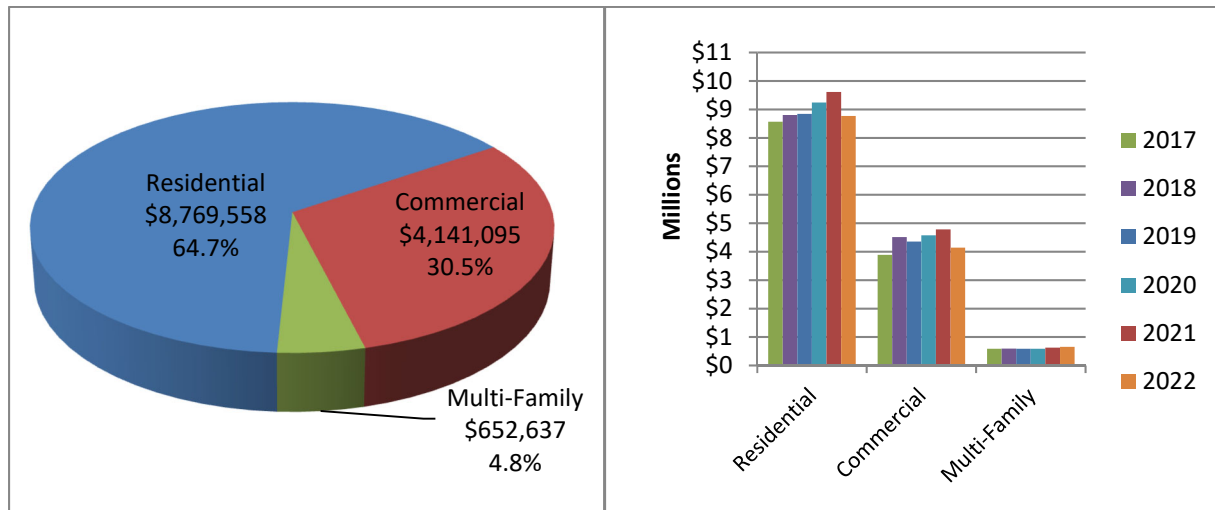
The following graph details purchased power expenses over the last five years:



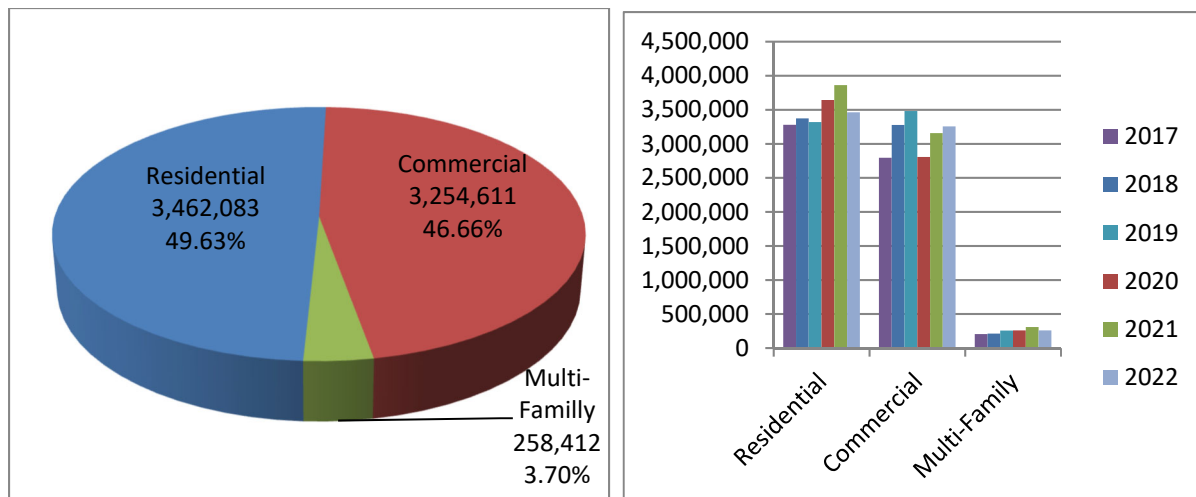
Standard & Poor's (S&P) changed the Electric Utility's credit rating on outstanding bonded debt from A+ to A with a Stable Outlook in 2019. The A rating was reaffirmed on the utility's \$6.4 million 2021 bond issue. The slight downgrade in 2019 reflects S&P's updated "U.S. Municipal Retail Electric and Gas Utilities: Methodology and Assumptions" published Sept. 27, 2018. The main drivers of the rating change were fixed-charge coverage levels and a decline in unrestricted cash. Notwithstanding, maintaining a base "A" rating is a significant reflection of the utility's overall financial strength and stability. The rating also recognizes City management's willingness to maintain adequate reserves, adjust rates and acquire additional capital financing when necessary. Maintaining or improving this credit rating is a key objective in minimizing debt service expense on future revenue bond sales. The next bond issuance is scheduled for the summer of 2023.

Water Fund activities generated a net position increase of \$4.1 million in 2022. Operating income was \$3.1 million in 2022; a \$1.1 million decrease over the prior year. Operating revenues decreased \$1.4 million due to a 10% rate reduction and operating expenses decreased \$301,905, when compared to 2021. Investment earnings decreased \$657,829 because of year-end fair market value adjustments, and interest expense decreased \$77,417. The utility recognized capital contributions of \$2.1 million in 2022. Sixty-four percent of these contributions were received from private sources, valued at \$1,353,921. This addition reflects the acquisition cost of capital improvements that were built and funded privately, and subsequently gifted to the City after the assets were placed in service. Donated capital is recognized when the development is completed and accepted by the City. The remaining capital contribution revenue is tied to new service requests that result in facilities fees charged to the owner, and to capital grants from the State. The facilities fee revenue for 2022, decreased by \$237,373 from 2021, or by 21%. The utility transferred out \$20,000 in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network carries the water utility's communication systems.

Water revenue-composition composition and annual comparison by customer class (in millions):



Water consumption-composition and annual comparison by customer class (in hundreds of cubic feet):



In 2022, Water fund operating expenses decreased by \$301,905 when compared to 2021. Total Salaries and benefits increased approximately 18.0% or \$391,851. This is primarily due to adjustments to annual pension expense accruals for the state PERS plans. Supplies costs stayed relatively flat again from 2021 to 2022, with a slight decrease of \$12,542. The cost of supplies is typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses.

Other service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category decreased by \$68,543 when compared to 2021, mostly due to utility costs. The water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. For 2022, utilities expense for water operations decreased \$42,800 over 2021.

Tax expense in 2022 decreased by \$229,335 and there was an increase of \$75,796 in the recognition of bad debt expense. This increase reflected the City's determination at the end of 2021 that a less drastic allowance for uncollectable accounts was appropriate due to the lessening effects of COVID-19 on customer billing collections. Finally, depreciation expense increased in 2022 by \$135,982 over the previous year.

In 2022, the utility made the following significant investments in its capital infrastructure:

- Continued installation of automated meter reading infrastructure. The Utility spent \$4,895,957 in 2022 on this project.
- Continued water distribution system improvements to make timely repairs and maintain system reliability and efficiency. One of those projects was the water mainline replacement at Torbett Street and McPherson Avenue with 2022 costs of \$2,599,544.
- The Water Treatment Plant Renewal and Replacement Program made upgrades to the ultraviolet facility. The Capital spending on this specific project was \$865,047 in 2022.

The capital related debt of the water and sewer utilities comprise a large portion, \$20 million, or 22.1% of all revenue debt and 15.3% of all City long-term borrowing. The water utility debt equals \$13.3 million, or 10.0% of all City long-term borrowing. The debt of the water utility is comprised of bonded debt, Public Works Trust Fund Loans, and State Safe Drinking Water Revolving Fund loans. The Public Works Trust Fund and Safe Drinking Water Revolving Fund loans were issued at coveted, below-market interest rates.

The water utility is required by its bond covenants to maintain a bond reserve in lieu of bond insurance. The water utility has adhered to this requirement and restricted \$956,350 in cash and investments on the utility's balance sheet. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

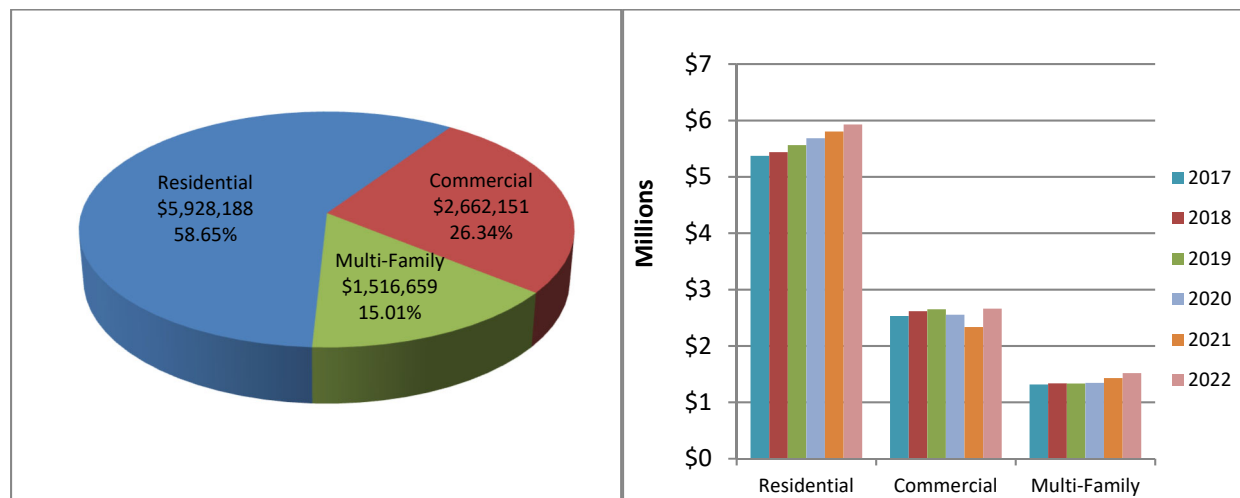
Sewer Fund activities generated a net position increase of \$2.6 million in 2022. Total operating income was \$1.25 million in 2022, an increase of \$700,143 over 2021. This difference was the result of growth in operating revenues of \$666,685 coupled with a decrease in operating expenses of \$33,458. Investment earnings, which also contribute to the non-operating decrease in net position, were \$499,278 less in

2022 as compared to 2021, due to year-end fair market value adjustments. Interest expense decreased by \$58,010 in 2022.

Additionally, the utility recognized capital contributions of \$2.2 million in 2022. Of this addition, \$1,171,636 reflects the value of capital improvements that were built and funded by private development, and subsequently gifted to the City once placed in service. Donated capital is recognized as the development is completed and accepted by the City. The remaining capital contribution revenue of \$1,025,608, is tied to new utility service requests that result in facilities fees charged to the owner. The utility transferred out \$5,000 like last year in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network supports the wastewater utility's communication system.

The Sewer utility's most recent rate change went into effect during 2010. Therefore, any increase in residential revenue is directly tied to customer growth. In 2022, residential revenue increased \$126,681, or 2.2%, over 2021 revenues. For the commercial and multifamily classes of service, water consumption is also a component in the calculation of the bill. Revenue from the multifamily class of customers increased \$87,676 over 2021, with a 6.1% increase, and the commercial class experienced growth of \$326,112, or a 14.0% increase.

Sewer revenues-composition and annual comparison by customer class (in millions):



In 2022, the operating expenses of the City's sewer utility decreased \$33,458 when compared to 2021. Total salaries and benefits increased 19.3% or \$363,563. This is primarily due to adjustments to annual pension expense accruals for the state PERS plans.

Other professional service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category only decreased by \$3,830 over the prior year. The wastewater utility uses a significant amount of electrical power, and in 2022 utility expenses only increased \$7,197 when compared to 2021.

The work to video the interior of the sewer line infrastructure continued in 2022 at a cost of \$381,969. This will inform utility staff on where best to concentrate maintenance efforts and any future infrastructure renewal and replacement projects.

In 2022, the Wastewater utility made several investments in its capital infrastructure:

- The utility remains focused on improving its Wastewater Treatment Facility. The utility has planned annual improvements to eliminate downtime and ensure effective wastewater treatment. During 2022, the total spending on these capital improvements was over \$1.9 million.

The wastewater utility capital debt equals \$7.0 million, or 5.3% of all City long-term debt. The debt of the utility is comprised of bonded debt and an American Recovery and Reinvestment Act loan. The sewer utility has complied with bond covenant requirements and restricted \$534,754 in a bond reserve account. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

ECONOMIC OUTLOOK

Richland is located in Benton County, Washington, and is part of the Tri-Cities metropolitan area, which also includes the cities of Kennewick and Pasco. The local economy of Richland is influenced by several key sectors:

1. **Energy and Nuclear Industry:** Richland is home to the Pacific Northwest National Laboratory (PNNL), which conducts research in various fields, including energy, environment, and national security. The nearby Hanford Nuclear Reservation, although primarily a decommissioned site, still contributes to the local economy through ongoing cleanup efforts.
2. **Agriculture:** Agriculture plays a significant role in the economy of the Tri-Cities region. The fertile soil and favorable climate support the growth of crops such as grapes, apples, cherries, and other fruits, as well as vegetables. The agricultural sector provides employment opportunities and contributes to the local economy through production, processing, and distribution.

3. **Manufacturing and Technology:** Richland has a diverse manufacturing sector, including industries such as aerospace, defense, food processing, and machinery manufacturing. The region also has a growing technology sector, with companies involved in software development, data analysis, and other high-tech fields.
4. **Healthcare and Education:** Richland is home to Kadlec Regional Medical Center, which is one of the largest employers in the region. The healthcare sector, including medical services and research, provides stable employment opportunities. Additionally, education is an important sector, with Washington State University Tri-Cities, Columbia Basin College and other educational institutions contributing to the local economy.
5. **Tourism and Recreation:** Richland and the surrounding area attract visitors due to its natural beauty, outdoor recreational opportunities, and cultural events. The Columbia River, nearby wineries, and the Hanford Reach National Monument offer attractions for tourists and contribute to the local economy through hospitality, leisure, and tourism-related businesses.

Richland's economy is strong and diverse, with plenty of activity in new construction and retail leading to increased sales and property tax revenues. Assessed property values in Richland continue to steadily increase, and while Richland's population is the lowest of the three major cities in the Tri-City area, the total assessed value is the highest in the region. Richland's population continues to increase as the city is a desirable location to live and raise a family.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the COVID-19 virus. The state declaration expired on October 31, 2022, and the federal Public Health Emergency Declaration was rescinded on May 11, 2023. The negative financial impacts to the City have been minimal.

Like most of the nation, the region continues to experience high inflation and supply chain challenges. The City is facing long lead times on some supplies and vehicles. While this has not led to significant project delays at this time, the City is monitoring the situation closely and planning for potential disruptions.

Richland continues to enjoy strong new construction activity, including retail centers, office, and multifamily development.

The Queensgate area continues to be an area of strong growth with a retail/commercial focus. The City has ongoing construction of road and infrastructure improvements in the in the Horn Rapids area, which attracts commercial growth. The Badger Mountain South area is experiencing significant residential growth. In 2023, the City will begin construction a new fire station in this area, as well as a 30-acre park.



The housing market in the region has experienced a slow-down since the second half of 2022 due to rising interest rates and building costs. Richland's Local Revitalization Financing program continues to pay off, resulting in robust construction and expansion in the Horn Rapids Industrial Park. Richland will continue to recruit primary sector job growth, primarily focused in energy, technology, and food and agricultural processing, which in turn further diversifies the local economy from reliance on federal spending.

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Richland Public Facilities District
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,825,743	\$ 14,121,619	\$ 33,947,362	\$ 992,826
Deposits with third parties	524,103	11,575	535,678	-
Investments	73,163,970	35,196,446	108,360,416	-
Taxes receivable	5,387,692	-	5,387,692	117,911
Customer accounts, net	1,007,498	12,167,743	13,175,240	5,956
Due from other governments	1,392,247	366,950	1,759,197	-
Notes and contracts	1,504,446	125,000	1,629,446	-
Internal balances	5,929,973	(5,929,973)	-	-
Prepaid items	264,481	647,655	912,136	6,684
Inventory	128,516	5,807,861	5,936,377	25,419
Special assessments	5,890	23,403	29,293	-
Total current assets	109,134,559	62,538,278	171,672,837	1,148,796
Noncurrent assets:				
Restricted cash and cash equivalents	\$ -	\$ 4,080,340	\$ 4,080,340	477,840
Restricted investments	-	30,579,465	30,579,465	-
Investment in joint ventures	2,221,075	-	2,221,075	-
Land held for resale	14,673,297	-	14,673,297	-
Special assessments	5,250	136,804	142,054	-
Leases receivable	9,362,831	683,706	10,046,537	-
Net pension asset	17,550,813	7,720,071	25,270,884	-
Land	10,318,311	8,831,785	19,150,096	-
Depreciable assets (net)	61,927,071	50,053,221	111,980,292	5,097,674
Infrastructure (net)	124,222,506	265,610,177	389,832,683	1,680,896
Construction in progress	9,770,358	12,667,327	22,437,685	-
Total noncurrent assets	250,051,511	380,362,896	630,414,407	-
Total assets	359,186,070	442,901,174	802,087,244	8,405,206
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - amount on debt refunding	\$ 177,795	\$ 559,391	\$ 737,186	\$ 28,582
Deferred outflow - pension	10,493,104	5,797,702	16,290,806	-
Deferred outflow - OPEB	432,841	131,051	563,892	-
Total deferred outflows of resources	11,103,740	6,488,144	17,591,884	28,582
Total assets and deferred outflows of resources	370,289,810	449,389,318	819,679,129	8,433,788

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Richland Public Facilities District
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 4,991,760	\$ 9,705,700	\$ 14,697,461	\$ 39,087
Payable to other governments	108,374	382,484	490,859	-
Deposits payable	21,011	757,987	778,997	2,740
Claims and judgments	2,609,954	-	2,609,954	-
Leases payable	-	119,610	119,610	-
Compensated absences	2,234,961	1,250,039	3,485,000	10,177
Notes and contracts payable	93,524	1,238,632	1,332,156	-
General obligation bonds payable	2,705,000	215,000	2,920,000	405,000
Revenue bonds payable	-	3,875,000	3,875,000	-
Total pension liability	303,575	-	303,575	-
Total OPEB liability	771,646	110,973	882,619	-
Total current liabilities	<u>13,839,805</u>	<u>17,655,424</u>	<u>31,495,230</u>	<u>457,004</u>
Noncurrent liabilities:				
Leases payable	\$ 9,664	\$ 408,373	\$ 418,037	\$ -
Compensated absences	1,868,945	1,250,039	3,118,984	-
Notes and contracts payable	245,982	5,761,075	6,007,057	-
General obligation bonds payable	36,528,963	4,627,452	41,156,415	2,702,378
Revenue bonds payable	-	89,667,191	89,667,191	-
Unearned revenue	7,312,581	1,017,245	8,329,826	15,265
Net pension liability	2,951,492	2,565,702	5,517,194	-
Total pension liability	2,798,304	-	2,798,304	-
Total OPEB liability	8,718,682	1,173,596	9,892,278	-
Landfill closure liability	-	8,281,687	8,281,687	-
Total noncurrent liabilities	<u>60,434,613</u>	<u>114,752,360</u>	<u>175,186,973</u>	<u>2,717,643</u>
Total liabilities	<u>74,274,418</u>	<u>132,407,784</u>	<u>206,682,203</u>	<u>3,174,647</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - leases	\$ 9,362,831	\$ 683,706	\$ 10,046,537	\$ -
Deferred inflow - transfer of service concession arrangement capital assets	3,069,000	-	3,069,000	-
Deferred inflow - pension	10,876,425	6,188,570	17,064,995	-
Deferred inflow - OPEB	2,595,485	785,832	3,381,317	-
Deferred inflow - amount on debt refunding	4,248	4,864	9,112	-
Total deferred inflows of resources	<u>25,907,989</u>	<u>7,662,972</u>	<u>33,570,960</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>100,182,407</u>	<u>140,070,756</u>	<u>240,253,163</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	\$ 163,201,508	\$ 231,842,676	\$ 395,044,184	\$ 3,699,775
Restricted for:				
Capital improvements	13,725,931	16,316,566	30,042,497	-
Debt service	1,127,267	8,846,628	9,973,895	722,150
Economic environment	21,819,495	-	21,819,495	-
Other purposes	1,422,956	-	1,422,956	-
Pensions	17,334,239	7,474,156	24,808,395	-
Public safety	2,101,730	-	2,101,730	-
Transportation	8,451	-	8,451	-
Unrestricted	49,365,827	44,838,536	94,204,363	837,216
Total net position	<u>\$ 270,107,404</u>	<u>\$ 309,318,562</u>	<u>\$ 579,425,966</u>	<u>\$ 5,259,141</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Component Unit Richland Public Facilities District
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	Total
Primary government:						
Governmental activities:						
Judicial	\$ 556,123	\$ 336,493	\$ -	\$ -	\$ (219,629)	\$ (219,629)
General government	17,905,125	8,281,793	187,619	-	(9,435,713)	(9,435,713)
Public safety	29,068,229	6,593,904	1,263,617	5,866	(21,204,842)	(21,204,842)
Physical environment	101,323	-	-	-	(101,323)	(101,323)
Transportation	11,824,546	1,012,209	-	4,594,199	(6,218,137)	(6,218,137)
Health and human services	9,053	6,494	475,642	-	473,083	473,083
Economic environment	6,103,614	4,845,849	529,642	-	(728,122)	(728,122)
Culture and recreation	10,221,142	1,595,767	20,200	-	(8,605,175)	(8,605,175)
Interest on long-term debt	1,322,491	-	-	-	(1,322,491)	(1,322,491)
Total governmental activities	77,111,645	22,672,510	2,476,719	4,600,065	(47,362,350)	(47,362,350)
Business-type activities:						
Electric Utility Fund	72,351,881	80,511,614	-	1,003,371	9,163,104	9,163,104
Water Utility Fund	12,511,940	15,437,196	-	2,116,583	5,041,840	5,041,840
Wastewater Utility Fund	9,170,006	10,381,565	-	2,197,244	3,408,803	3,408,803
Solid Waste Utility Fund	9,246,074	12,124,700	-	-	2,878,626	2,878,626
Stormwater Utility Fund	1,638,167	2,031,701	790,173	789,617	1,973,324	1,973,324
Golf Course Fund	2,097,267	2,230,022	-	-	132,755	132,755
Medical Services Fund	6,608,159	7,075,998	393,088	-	860,927	860,927
Broadband Fund	294,241	264,647	-	-	(29,593)	(29,593)
Total business-type activities	119,917,734	130,057,443	1,183,261	6,106,815	23,429,785	23,429,785
Total primary government	\$ 191,029,379	\$ 152,729,953	\$ 3,659,981	\$ 10,706,880	\$ 23,429,785	\$ (23,932,565)
Component units:						
Richland Public Facilities District	\$ 1,383,975	\$ 345,128	\$ 182,509	\$ -	\$ -	\$ (856,338)
Total component units	\$ 1,383,975	\$ 345,128	\$ 182,509	\$ -	\$ -	\$ (856,338)
General revenues:						
Property taxes						
Sales taxes						
Utility occupation taxes						
Real estate excise tax						
Motor fuel & multimodal transportation tax						
Hotel/motel lodging tax						
Other taxes						
Interest and investment earnings						
Gain on disposition of capital assets						
Gain on disposition of land held for sale						
Insurance recoveries						
Transfers						
Total general revenues and transfers						
Change in net position						
Net position - beginning						
Prior period adjustments						
Net position - ending						

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

City of Richland, Washington
Annual Comprehensive Financial Report
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Industrial Development Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,749,692	\$ 454,151	\$ 705,526	\$ 11,830,900	\$ 15,740,268
Deposits with third parties	19,425	26,600	-	2,000	48,025
Investments	34,362,685	2,901,865	7,069,948	18,841,426	63,175,925
Taxes receivable	4,568,858	-	-	818,833	5,387,692
Customer accounts (net)	331,357	516,132	-	129,149	976,638
Due from other governments	483,852	-	635,918	272,477	1,392,247
Assessments	-	-	-	11,140	11,140
Notes and contracts	-	-	-	1,504,446	1,504,446
Prepaid items	109,514	-	-	25,981	135,496
Inventory	-	-	-	38,410	38,410
Leases receivable	279,476	8,333,193	-	750,161	9,362,831
Total assets	<u>\$ 42,904,860</u>	<u>\$ 12,231,942</u>	<u>\$ 8,411,393</u>	<u>\$ 34,224,923</u>	<u>\$ 97,773,117</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 2,297,214	\$ 15,866	\$ 1,429,568	\$ 997,122	\$ 4,739,769
Payable to other governments	94,625	9,185	-	4,339	108,148
Deposits payable	1,011	6,000	-	14,000	21,011
Unearned revenue-other	6,836,111	26,600	449,869	-	7,312,581
Total liabilities	<u>9,228,961</u>	<u>57,651</u>	<u>1,879,437</u>	<u>1,015,460</u>	<u>12,181,509</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow - leases	\$ 279,476	\$ 8,333,193	\$ -	\$ 750,161	\$ 9,362,831
Unavailable revenue-property taxes	422,146	-	-	32,770	454,916
Unavailable revenue-unbilled LID assessments	-	-	-	5,250	5,250
Total deferred inflows of resources	<u>701,623</u>	<u>8,333,193</u>	<u>-</u>	<u>788,181</u>	<u>9,822,997</u>
Total liabilities and deferred inflows of resources	<u>9,930,584</u>	<u>8,390,844</u>	<u>1,879,437</u>	<u>1,803,641</u>	<u>22,004,506</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Contractually maintained deposits	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000
Inventory	-	-	-	38,410	38,410
Prepaid items	109,514	-	-	25,981	135,496
Restricted					
Capital improvements	\$ 76,275	\$ -	\$ 286,863	\$ 13,362,793	\$ 13,725,931
Debt service	-	-	-	1,127,269	1,127,269
Economic environment	2,044,371	-	-	5,101,827	7,146,198
Other purposes	1,422,956	-	-	-	1,422,956
Public safety	118,510	-	-	2,009,202	2,127,711
Transportation	-	-	-	8,451	8,451
Committed					
Capital improvements	\$ 452,951	\$ -	\$ -	\$ 9,638,807	\$ 10,091,759
Economic environment	202,692	3,841,097	-	-	4,043,790
Public safety	106,766	-	-	-	106,766
Assigned					
Debt service	\$ -	\$ -	\$ -	\$ 366,745	\$ 366,745
Public safety	60,403	-	-	-	60,403
Transportation	-	-	6,245,093	739,799	6,984,891
Unassigned	\$ 28,379,837	\$ -	\$ -	\$ -	\$ 28,379,837
Total fund balances (deficits)	<u>\$ 32,974,277</u>	<u>\$ 3,841,097</u>	<u>\$ 6,531,956</u>	<u>\$ 32,421,282</u>	<u>\$ 75,768,612</u>
Total liabilities and fund balances (deficits)	<u>\$ 42,904,860</u>	<u>\$ 12,231,942</u>	<u>\$ 8,411,393</u>	<u>\$ 34,224,923</u>	<u>\$ 97,773,117</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of Balance Sheet
To the Statement of Net Position
For the Year Ended December 31, 2022

Fund balances of governmental funds	75,768,612
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements. They are reported in the government-wide statements, net of accumulated depreciation:	206,238,246	
		206,238,246

The focus of governmental funds is on short-term financing. Long-term assets are deferred or not reported in the funds. they consist of the following:

Investment in joint venture	2,221,075	
Land held for sale	14,673,297	
Net pension asset	17,550,813	
Notes, contracts and taxes receivable, offset by deferred inflows of resources	460,166	34,905,351

Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in the governmental and business-type activities in the statement of net position based on which activity they predominantly serve. For governmental activities they consist of the following:

Net position	12,037,245	
Internal payable representing charges in excess of cost to business-type activities: prior years	4,948,681	
Internal payable representing charges in excess of cost to business-type activities: current year	1,010,031	17,995,957

Deferred outflows and inflows of resources related to long-lived assets and liabilities do not relate to the current period and therefore are not reported in fund financial statements:

Deferred outflow of resources related to pensions	10,493,104	
Deferred outflow of resources related to OPEB	432,841	
Deferred outflow of resources related to debt refunding	177,795	
Deferred inflow of resources related to service concession arrangement (ORV Park assets)	(3,069,000)	
Deferred inflow of resources related to pensions	(10,876,425)	
Deferred inflow of resources related to OPEB	(2,595,485)	
Deferred inflow of resources related to debt refunding	(4,248)	(5,441,418)

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. They consist of the following:

General obligation bonds	(35,455,000)	
Net premium/discount	(3,778,963)	
Other general government debt	(339,506)	
Net pension liability	(2,951,492)	
Total pension liability	(3,101,879)	
Total OPEB liability	(9,490,328)	
Compensated absences	(4,103,906)	
Accrued interest payable	(128,606)	
Leases Payable	(9,664)	(59,359,344)
Net position of governmental activities		270,107,404

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Industrial Development Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 52,647,594	\$ -	\$ -	\$ 12,628,248	\$ 65,275,841
Licenses and permits	2,698,804	-	-	-	2,698,804
Intergovernmental	2,232,336	-	3,343,501	1,754,708	7,330,545
Charges for goods and services	8,250,769	-	446,583	8,106,126	16,803,479
Fines and forfeits	343,953	-	-	-	343,953
Interest and investment earnings	(1,571,512)	(178,284)	(447,842)	(1,181,049)	(3,378,687)
Rents and leases	321,877	1,396,239	-	267,515	1,985,631
Miscellaneous revenue	373,557	500,130	13,000	161,655	1,048,342
Disposition of land held for sale	-	878,370	-	-	878,370
Total revenues	<u>65,297,378</u>	<u>2,596,455</u>	<u>3,355,242</u>	<u>21,737,202</u>	<u>92,986,277</u>
EXPENDITURES					
Current:					
Judicial	556,123	-	-	-	556,123
General government	17,125,094	-	-	-	17,125,094
Public safety	25,937,125	-	-	7,991,089	33,928,214
Physical environment	101,323	-	-	-	101,323
Transportation	-	-	3,955,336	3,394,112	7,349,447
Health and human services	9,053	-	-	-	9,053
Economic environment	2,526,898	1,122,046	-	1,942,956	5,591,900
Culture and recreation	9,179,548	-	-	126,622	9,306,170
Debt service:					
Administrative charges	-	-	-	2,559	2,559
Interest	-	2,730	-	1,606,781	1,609,512
Principal retirement	9,664	93,524	-	2,565,000	2,668,188
Capital outlay:					
General government	198,158	-	-	434,335	632,493
Public safety	2,287,620	-	-	288,003	2,575,623
Transportation	-	-	5,171,531	9,546	5,181,077
Economic environment	-	284,940	-	-	284,940
Culture and recreation	137,476	-	-	1,142,990	1,280,466
Total expenditures	<u>58,068,080</u>	<u>1,503,241</u>	<u>9,126,867</u>	<u>19,503,992</u>	<u>88,202,180</u>
Excess (deficiency) of revenues over expenditures	<u>7,229,298</u>	<u>1,093,214</u>	<u>(5,771,625)</u>	<u>2,233,210</u>	<u>4,784,097</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,492,312	33,754	8,618,167	17,381,502	28,525,735
Transfers out	(21,544,954)	(1,281,072)	(37,900)	(7,835,564)	(30,699,490)
Insurance recoveries	31,523	-	-	-	31,523
Total other financing sources (uses)	<u>(19,021,118)</u>	<u>(1,247,318)</u>	<u>8,580,267</u>	<u>9,545,938</u>	<u>(2,142,231)</u>
Net change in fund balances	(11,791,821)	(154,104)	2,808,642	11,779,148	2,641,866
Fund balances - beginning	44,766,097	3,995,201	3,723,314	20,630,281	73,114,893
Prior period adjustment	-	-	-	11,852	11,852
Fund balances - ending	<u>\$ 32,974,277</u>	<u>\$ 3,841,097</u>	<u>\$ 6,531,956</u>	<u>\$ 32,421,282</u>	<u>\$ 75,768,612</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances - total government funds	\$ 2,641,866
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance and repayment of long-term liabilities are reported as resources and uses, respectively, of current financial resources in governmental funds. In the statement of net position, however, neither of these transactions impact net position. Also in governmental funds the effect of premiums or discounts and similar items are reported as resources or uses of current financial resources when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities. The following details the net change in long-term debt as reflected in government-wide reporting:

Principal repayment	2,668,188	
Amortization of premiums/discounts & deferred amounts on refunding	281,419	
	<u>2,949,607</u>	

Certain revenues and expenses in the statement of activities do not provide or use current financial resources and are therefore not reported as revenues or expenditures in the governmental funds. The following details those items:

Change in earned revenue reported as deferred inflows in the fund statements	281,959	
Change in the City's investment in joint ventures	(66,944)	
Change in the City's investment in land held for sale	(311,261)	
Change in the City's net pension liability and related deferred inflows/outflows	2,464,311	
Change in accrued interest payable	8,160	
Change in net OPEB obligation	4,175,640	
Change in compensated absences	(485,829)	
	<u>6,066,036</u>	

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of most of these activities is reported within governmental funds as follows:

Change in net position	(593,476)	
Internal payable representing charges in excess of cost to governmental activities-current year	1,010,031	
	<u>416,555</u>	

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of assets are allocated over the useful life of the asset as depreciation expense. The following depicts the changes to capital assets:

Capital outlays	9,954,599	
Depreciation	(8,302,998)	
Disposal of capital assets	(66,423)	
Donated capital assets received	1,256,564	
	<u>2,841,742</u>	
	<u>\$ 14,915,806</u>	

Change in net position of governmental activities

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	\$ 48,502,441	\$ 48,502,441	\$ 52,647,594	\$ 4,145,153
Licenses and permits	2,774,500	2,774,500	2,698,804	(75,696)
Intergovernmental	5,131,539	6,240,328	2,232,336	(4,007,992)
Charges for goods and services	8,752,882	8,752,882	8,250,769	(502,113)
Fines and forfeits	533,800	533,800	343,953	(189,847)
Interest and investment earnings	236,750	236,750	(1,571,512)	(1,808,262)
Rents and leases	235,481	235,481	321,877	86,396
Miscellaneous revenue	138,450	138,450	373,557	235,107
Total revenues	66,305,843	67,414,632	65,297,378	(2,117,254)
EXPENDITURES				
Current:				
Judicial	700,000	700,000	556,123	143,877
General government	19,271,656	22,488,774	17,125,094	5,363,680
Public safety	29,610,297	27,129,919	25,937,125	1,192,794
Health and human services	15,965	15,965	9,053	6,912
Economic environment	2,856,816	3,048,498	2,526,898	521,600
Culture and recreation	9,641,793	9,841,678	9,179,548	662,130
Physical environment	-	-	101,323	(101,323)
Total current	62,096,527	63,224,834	55,435,163	7,789,671
Debt service:				
Principal retirement	-	-	9,664	(9,664)
Total debt service	-	-	9,664	(9,664)
Capital outlay:				
General government	70,000	70,000	198,158	(128,158)
Public safety	1,250,000	2,676,837	2,287,620	389,217
Economic environment	-	10,000	-	10,000
Culture and recreation	575,000	575,000	137,476	437,524
Total capital outlay	1,895,000	3,331,837	2,623,254	708,583
Total expenditures	63,991,527	66,556,671	58,068,080	8,488,591
Excess (deficiency) of revenues over expenditures	2,314,316	857,961	7,229,298	6,371,337
OTHER FINANCING SOURCES (USES)				
Transfers in	1,078,675	2,492,312	2,492,312	-
Transfers out	(11,403,597)	(22,780,973)	(21,544,954)	1,236,019
Insurance recoveries	-	-	31,523	31,523
Total other financing sources (uses)	(10,324,922)	(20,288,661)	(19,021,118)	1,267,543
Net change in fund balances	(8,010,606)	(19,430,700)	(11,791,820)	7,638,880
Fund balances - beginning	44,766,097	44,766,097	44,766,097	-
Fund balances - ending	\$ 36,755,491	\$ 25,335,397	\$ 32,974,277	\$ 7,638,880

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Industrial Development Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Interest and investment earnings	\$ 10,000	\$ 10,000	\$ (178,284)	\$ (188,284)
Rents and leases	1,160,908	1,160,908	1,396,239	235,331
Miscellaneous revenue	230,165	230,165	500,130	269,965
Disposition of land held for sale	8,811,481	8,811,481	878,370	(7,933,111)
Total revenues	10,212,554	10,212,554	2,596,455	(7,616,099)
EXPENDITURES				
Current:				
Economic environment	1,428,451	1,392,467	1,122,046	270,421
Total current	1,428,451	1,392,467	1,122,046	270,421
Debt service:				
Interest	2,730	2,730	2,730	-
Principal retirement	93,524	93,524	93,524	-
Total debt service	96,254	96,254	96,255	(1)
Capital outlay:				
Economic environment	993,000	558,749	284,940	273,809
Total capital outlay	993,000	558,749	284,940	273,809
Total expenditures	2,517,705	2,047,470	1,503,241	544,229
Excess (deficiency) of revenues over expenditures	7,694,849	8,165,084	1,093,214	(7,071,870)
OTHER FINANCING SOURCES (USES)				
Transfers in	33,754	33,754	33,754	-
Transfers out	(9,040,000)	(12,615,041)	(1,281,072)	11,333,969
Total other financing sources (uses)	(9,006,246)	(12,581,287)	(1,247,318)	11,333,969
Net change in fund balances	(1,311,397)	(4,416,203)	(154,104)	4,262,099
Fund balances - beginning	3,995,201	3,995,201	3,995,201	-
Fund balances - ending	\$ 2,683,804	\$ (421,002)	\$ 3,841,097	\$ 4,262,099

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities					
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,886,071	\$ 1,362,554	\$ 843,608	\$ 4,600,463	\$ 12,692,696	\$ 5,514,398
Deposits with third parties	1,900	5,775	2,650	1,050	11,375	476,278
Investments	7,462,346	6,632,567	3,247,589	11,305,235	28,647,738	16,536,753
Customer accounts (net)	7,942,284	764,014	839,519	2,616,819	12,162,637	35,966
Due from other governments	-	-	-	366,950	366,950	-
Interfund loans	-	3,890	-	-	3,890	-
Special assessments (current)	-	12,120	11,282	-	23,403	-
Due from other funds	-	-	-	-	-	28,739
Notes and contracts	-	-	-	125,000	125,000	-
Prepaid items	529,677	-	-	-	529,677	246,962
Inventory	5,566,772	163,285	1,040	76,763	5,807,861	90,106
Total current assets	27,389,050	8,944,206	4,945,688	19,092,282	60,371,226	22,929,203
Noncurrent assets:						
Restricted cash and cash equivalents	1,682,698	-	156,000	2,241,642	4,080,340	-
Restricted investments	7,319,738	10,026,770	7,953,052	5,279,905	30,579,465	-
Leases receivable	528,760	-	-	154,946	683,706	-
Net pension asset	1,866,386	520,105	508,865	3,985,470	6,880,826	839,245
Interfund loans	-	3,890	-	-	3,890	-
Special assessments (noncurrent)	-	70,851	65,953	-	136,804	-
Land	837,428	5,604	-	7,988,753	8,831,785	-
Depreciable assets (net)	5,943,591	4,943,223	10,366,849	9,273,234	30,526,897	19,526,324
Infrastructure	118,352,227	81,510,279	49,253,418	16,494,254	265,610,177	-
Construction in progress	764,427	7,205,328	3,355,638	1,189,613	12,515,006	152,321
Total noncurrent assets	137,295,255	104,286,050	71,659,775	46,607,815	359,848,896	20,517,890
Total assets	164,684,306	113,230,256	76,605,463	65,700,097	420,220,122	43,447,093
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow - amount on debt refunding	150,682	157,819	205,778	45,111	559,391	-
Deferred outflow - pension	1,826,807	509,074	498,075	2,142,297	4,976,253	821,449
Deferred outflow - OPEB	65,587	34,672	13,964	10,518	124,740	6,311
Total deferred outflows of resources	2,043,077	701,565	717,816	2,197,926	5,660,384	827,760
Total assets and deferred outflows of resources	\$ 166,727,382	\$ 113,931,821	\$ 77,323,280	\$ 67,898,023	\$ 425,880,506	\$ 44,274,853
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	6,250,826	1,313,984	1,039,976	598,192	9,202,977	626,108
Payable to other governments	172	28,115	(289)	7,133	35,131	79,583
Due to other funds	-	-	-	-	-	28,739
Interfund loans payable	-	-	-	3,890	3,890	-
Deposits payable	-	17,043	6,202	816,759	840,004	185,978
Leases payable-current	-	-	-	-	-	119,610
Compensated absences-current	397,994	141,477	76,281	405,617	1,021,370	228,669
Claims and judgments-current	-	-	-	-	-	2,609,954
General obligation bonds payable-current	-	-	-	215,000	215,000	-
Revenue bonds payable-current	2,295,000	829,578	720,423	30,000	3,875,000	-
Notes and contracts payable	-	913,950	80,893	243,788	1,238,632	-
Total OPEB liability	55,539	29,360	11,824	8,906	105,630	5,344
Total current liabilities	8,999,531	3,273,507	1,935,310	2,329,286	16,537,633	3,883,985
Noncurrent liabilities:						
Interfund loans payable (noncurrent)	-	-	-	3,890	3,890	-
Leases payable	-	-	-	-	-	408,373
Compensated absences	397,994	141,477	76,281	405,617	1,021,370	228,669
Notes and contracts payable	-	1,699,622	687,502	3,373,952	5,761,075	-
General obligation bonds payable	-	-	-	4,627,452	4,627,452	-
Revenue bonds payable	71,705,706	10,951,091	6,290,845	719,550	89,667,191	-
Unearned revenue	557,841	70,851	221,953	166,600	1,017,245	-
Net pension liability	1,076,136	299,886	293,406	412,376	2,081,804	483,898
Total OPEB liability	587,352	310,494	125,048	94,188	1,117,082	56,513
Landfill closure liability	-	-	-	8,281,687	8,281,687	-
Total noncurrent liabilities	74,325,029	13,473,420	7,695,035	18,085,312	113,578,796	1,177,454
Total liabilities	83,324,560	16,746,927	9,630,345	20,414,597	130,116,429	5,061,438
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - leases	528,760	-	-	154,946	683,706	-
Deferred inflow - pension	2,001,238	557,684	545,633	2,184,131	5,288,686	899,884
Deferred inflow - OPEB	393,287	207,905	83,731	63,068	747,991	37,841
Deferred inflow - amount on debt refunding	4,864	-	-	-	4,864	-
Total deferred inflows of resources	2,928,150	765,589	629,364	2,402,145	6,725,247	937,725
Total liabilities and deferred inflows of resources	86,252,710	17,512,515	10,259,709	22,816,742	136,841,676	5,999,163
NET POSITION						
Net investment in capital assets	54,058,363	78,455,665	54,591,747	25,738,559	212,844,335	18,998,341
Restricted for:						
Capital improvements	677,447	8,512,151	7,126,968	-	16,316,566	-
Debt service	6,263,287	1,526,739	837,367	219,235	8,846,628	-
Pensions	1,752,752	488,438	477,883	3,966,936	6,686,009	788,147
Unrestricted	17,722,823	7,436,313	4,029,606	15,156,551	44,345,292	18,489,202
Total net position	\$ 80,474,672	\$ 96,419,305	\$ 67,063,571	\$ 45,081,281	289,038,830	\$ 38,275,690
Net position of internal service funds predominantly serving business-type activities					26,238,444	
Internal payable representing charges in excess of cost to governmental activities-prior years					(4,948,681)	
Internal payable representing charges in excess of cost to governmental activities-current year					(1,010,031)	
Net position of business-type activities					\$ 309,318,562	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities					
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Electric	\$ 77,628,965	\$ -	\$ -	\$ -	\$ 77,628,965	\$ -
Water	-	15,406,541	-	-	15,406,541	-
Sewer	-	-	10,364,476	-	10,364,476	-
Solid waste	-	-	-	12,016,672	12,016,672	-
Stormwater	-	-	-	2,031,701	2,031,701	-
Golf course	-	-	-	2,228,539	2,228,539	-
Medical services	-	-	-	7,074,823	7,074,823	-
Broadband	-	-	-	271,198	271,198	-
Internal service funds	-	-	-	-	-	25,937,574
Other operating revenues	2,032,488	-	-	-	2,032,488	127,547
Total operating revenues	<u>79,661,453</u>	<u>15,406,541</u>	<u>10,364,476</u>	<u>23,622,932</u>	<u>129,055,402</u>	<u>26,065,121</u>
OPERATING EXPENSES						
Maintenance and operations	47,848,906	5,258,140	4,673,155	14,777,861	72,558,062	18,789,873
Administrative and general	4,963,726	1,530,679	1,035,567	3,373,796	10,903,768	2,140,230
Taxes	9,317,027	2,573,336	1,367,913	1,841,127	15,099,403	-
Depreciation	6,575,440	2,918,400	2,035,784	1,063,464	12,593,089	3,114,788
Total operating expenses	<u>68,705,100</u>	<u>12,280,554</u>	<u>9,112,419</u>	<u>21,056,249</u>	<u>111,154,322</u>	<u>24,044,891</u>
Operating income (loss)	<u>10,956,353</u>	<u>3,125,987</u>	<u>1,252,057</u>	<u>2,566,684</u>	<u>17,901,080</u>	<u>2,020,230</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and investment earnings	(610,853)	(797,418)	(586,439)	(811,771)	(2,806,481)	(888,662)
Miscellaneous nonoperating revenues/(expenses)	(209,048)	26,608	13,853	2,020,389	1,851,801	558,474
Capital contributions	1,003,371	2,116,583	2,197,244	789,617	6,106,815	-
Interest expense	(2,726,700)	(399,084)	(239,637)	(271,881)	(3,637,303)	(44,419)
Total nonoperating revenues (expenses)	<u>(2,543,231)</u>	<u>946,688</u>	<u>1,385,020</u>	<u>1,726,354</u>	<u>1,514,832</u>	<u>(374,607)</u>
Income (loss) before contributions and transfers	8,413,122	4,072,675	2,637,077	4,293,038	19,415,912	1,645,623
Transfers in	\$ -	\$ -	\$ (3,945)	\$ 1,127,876	\$ 1,123,931	\$ 2,020,946
Transfers out	(30,000)	(20,000)	(5,000)	(916,122)	(971,122)	-
Disposition of capital assets	-	-	-	7,340	7,340	-
Change in net position	8,383,122	4,052,675	2,628,132	4,512,132	19,576,062	3,666,568
Total net position - beginning	\$ 72,091,550	\$ 92,366,630	\$ 64,435,439	\$ 40,540,435	\$ 269,434,054	\$ 34,609,122
Prior period adjustment	-	-	-	28,714	28,714	-
Total net position - ending	<u>\$ 80,474,672</u>	<u>\$ 96,419,305</u>	<u>\$ 67,063,571</u>	<u>\$ 45,081,281</u>	<u>\$ 289,038,830</u>	<u>\$ 38,275,690</u>
Net change in enterprise funds net position					19,576,062	
Change in net position of internal service funds predominantly serving business-type activities					4,260,047	
Internal payable representing charges in excess of cost to governmental activities-current year					(1,010,030)	
Changes in net position of business-type activities					<u>\$ 22,826,079</u>	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 79,061,634	\$ 15,440,768	\$ 10,331,669	\$ 29,847,938	\$ 134,682,008	\$ 12,742,130
Receipts from interfund services provided	-	-	-	-	-	13,318,190
Payments to employees	(1,177,910)	(2,657,247)	(2,518,161)	(8,458,605)	(14,811,923)	(4,227,491)
Payments to suppliers	(56,677,078)	(1,537,852)	(2,289,545)	(10,810,985)	(71,315,461)	(16,381,477)
Other payments	-	-	-	-	-	-
Taxes paid	(6,599,218)	(2,573,372)	(1,367,879)	(1,846,131)	(12,386,600)	431
Payments for interfund services used	(940,144)	(2,085,814)	(1,588,324)	(5,708,341)	(10,322,623)	(1,294,995)
Net cash provided (used) by operating activities	13,667,284	6,586,483	2,567,759	3,023,876	25,845,402	4,156,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(30,000)	(20,000)	(5,000)	(12,478)	(67,478)	-
Grants and contributions	-	-	-	1,093,300	1,093,300	9,974
Reimbursements and recoveries	-	16,868	14,488	365,348	396,704	171,422
Transfers from other funds	-	-	-	(58,644)	(58,644)	19,342
Interfund loan principal payments paid	-	-	-	-	-	(11,651)
Interfund loan principal payments received	-	3,890	-	-	3,890	616,886
Net cash provided (used) by noncapital financing activities	(30,000)	758	9,488	1,387,526	1,367,772	805,973
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on debt	(3,260,000)	(2,120,153)	(1,082,381)	(455,794)	(6,918,328)	(250,157)
Interest paid on debt	(3,021,582)	(542,170)	(332,470)	(279,898)	(4,176,120)	(44,419)
Transfers to other funds	-	-	-	(295,000)	(295,000)	-
Transfers from other funds	-	-	(3,945)	577,876	573,931	2,020,946
Payments related to acquisition, construction or improvements of capital assets	(13,791,058)	(9,967,487)	(2,288,986)	(1,186,659)	(27,234,190)	(5,508,960)
Bond issuance costs	-	-	-	(441)	(441)	-
Interfund loan principal paid	-	-	-	(3,890)	(3,890)	-
Proceeds from sale of capital assets	9,583	17,206	6,316	-	33,106	420,105
Proceeds from capital grants and contributions	269,265	873,633	1,025,608	(340,830)	1,827,676	-
Proceeds from debt	-	110,971	-	-	110,971	-
Net cash provided (used) by capital and related financing activities	(19,793,792)	(11,628,000)	(2,675,858)	(1,984,637)	(36,082,286)	(3,362,486)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of interest	336,507	248,772	142,328	(81,129)	646,478	217,751
Investments sold	12,398,325	18,400,770	9,688,634	14,011,682	54,499,411	11,085,263
Investments purchased	(15,747,551)	(17,705,527)	(11,929,408)	(17,315,782)	(62,698,268)	(17,643,166)
Net cash provided (used) by investing activities	(3,012,719)	944,015	(2,098,446)	(3,385,229)	(7,552,379)	(6,340,152)
Net increase (decrease) in cash and cash equivalents	(9,169,227)	(4,096,744)	(2,197,057)	(958,463)	(16,421,491)	(4,739,876)
Balances - beginning of year	16,737,995	5,459,298	3,196,665	7,800,568	33,194,527	10,254,274
Balances - end of the year	\$ 7,568,768	\$ 1,362,554	\$ 999,608	\$ 6,842,105	\$ 16,773,036	\$ 5,514,398
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income	\$ 10,956,353	\$ 3,125,987	\$ 1,252,057	\$ 2,566,684	\$ 17,901,080	\$ 2,020,230
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	6,575,440	2,918,400	2,035,784	1,063,464	12,593,089	3,114,788
Accrued pension and OPEB expense	(662,148)	(86,875)	(312,540)	(940,612)	(2,002,176)	(487,956)
Changes in assets and liabilities:						
Accounts Payable - Supplier	(1,624,357)	612,146	(457,996)	(53,051)	(1,523,258)	(356,239)
Customer Receivables	(1,025,489)	90,280	5,381	257,892	(671,936)	(4,801)
Inventory	(778,666)	(71,078)	-	(7,501)	(857,245)	-
Salaries & Benefits Payable	129,233	(2,377)	45,074	114,688	286,618	(92,687)
Unearned revenues	-	-	-	18,468	13,434	-
Prepaid items	-	-	-	3,844	(235,320)	(33,028)
Other income and adjustments	341,115	-	-	-	341,115	-
Deposits with third party	-	-	-	-	-	(3,518)
Net cash provided (used) by operating activities	\$ 13,667,284	\$ 6,586,483	\$ 2,567,759	\$ 3,023,876	\$ 25,845,402	\$ 4,156,789
Noncash investing, capital and financing activities						
Contribution of capital assets	530,313	1,353,921	1,171,636	789,617	3,845,487	-

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,066,591
Other Current Assets	7,328
Receivables:	
Accounts Receivable	243,446
Due from Gov'tl Units (Taxes)(Grants Rec'l)	490,539
Lease Principal Receivable	<u>118,853</u>
Total Receivables	5,926,757
Noncurrent Assets:	
Land	14,593
Building	2,177,701
Less Allowance for Depreciation	(1,093,746)
Equipment	17,708,139
Less Allowance for Depreciation	<u>(14,525,682)</u>
Total Noncurrent Assets	4,281,005
Total Assets	<u>10,207,762</u>
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflow - Leases	\$ 483,605
Total Assets and Deferred Outflows of Resources	<u>10,691,367</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 118,459
Salaries Payable	<u>200,603</u>
Total Current Liabilities	319,062
Long-Term Liabilities	
Employee Leave Benefits	\$ 200,603
Leases and Installment Purchases	<u>483,605</u>
Total Long-Term Liabilities	684,208
Total Liabilities	<u>1,003,270</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - Leases	\$ 118,853
Total Liabilities and Deferred Inflows of Resources	<u>1,122,123</u>
NET POSITION	
Restricted for:	
Net Investment in Capital Assets	\$ 4,281,004
Unrestricted	<u>5,288,240</u>
Total net position	<u><u>\$ 9,569,244</u></u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Collections from Participants	\$ 5,568,569
Grant Revenues	1,028,870
Tax Revenues	2,852,647
Site & Facilities Rent	20,926
Contribution for Capital Projects	346,683
Interest Earnings	60,866
Total Additions	<u>9,878,561</u>
 DEDUCTIONS	
Supplies	242,035
Charges for goods and services	6,638,539
Repairs & Maintenance	1,748,997
Admin. Services - Richland	520,987
Disposition of capital assets	59,713
Depreciation Expense	1,091,749
Total deductions	<u>10,302,020</u>
Net increase (decrease) in fiduciary net position	(423,459)
Net position - beginning	9,992,703
NET POSITION - ENDING	<u><u>\$ 9,569,244</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Richland have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following summary of the City's more significant accounting policies is presented to assist readers in interpreting the financial statements and other data in this report and should be viewed as an integral part of the accompanying financial statements.

You may obtain a copy of the annual financial report on the City's website at www.ci.richland.wa.us.

THE REPORTING ENTITY

The City of Richland was incorporated as a chartered First Class City in 1958 and operates under a City Council/Manager form of government in accordance with the laws of the State of Washington applicable to cities. As required by GAAP, the financial statements present the City of Richland as the primary government with one component unit; the Richland Public Facilities District (PFD). The PFD was formed in July 2002 with the primary mission of building and operating a regional center (including any related parking facilities) as allowed by Washington State statute. The PFD is included in the City's report because of the significance of their financial relationships with the City; namely that the City Council appoints and can remove board members at will. They are discretely presented in the component unit column of the government-wide financial statements to emphasize that they are a legally separate entity.

Complete financial statements for the Richland PFD may be obtained from the Finance Department at the City of Richland, 625 Swift Blvd, Richland, Washington 99352.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the City and on its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions are 1) those activities in internal service funds in which outside parties are engaged and 2) activities between the funds, the exclusion of which would distort the cost data reported for the City's various functions. 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 to external customers. Likewise, the City is reported separately from the PFD, for which the City is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is not 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 operating 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. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

governmental and enterprise funds are reported as separate columns in the fund financial statements. Fund financial statements consist of the following:

1) Governmental Funds Financial Statements – The City reports three major governmental funds that are reported in separate columns: the General Fund, the Industrial Development Fund, and the Streets Construction Fund. All other governmental funds are aggregated in the “Other Governmental Funds” column.

- The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of General Fund revenue is generated by taxes, state and local shared revenues and charges for services.
- The Industrial Development Fund is a special revenue fund that accounts for proceeds of land leases and land sales that are committed to economic development efforts.
- The Streets Construction Fund is a capital projects fund that accounts for proceeds of grants and other resources dedicated to capital projects related to the City’s transportation network.

2) Proprietary Funds Financial Statements – Includes business-type or “enterprise” activities and governmental-type internal service funds. Proprietary fund statements report in separate columns the City’s three major enterprise funds; the Electric, Water, and Wastewater funds, which account for all activities necessary to provide electric, water, and sewer services to customers. This includes the acquisition, operation and maintenance of facilities, administration, debt service and personnel services.

All non-major enterprise funds are aggregated in the “Total nonmajor funds” column. The City’s internal service funds are aggregated and reported in the “Internal Service Funds” column.

Internal service funds account on a cost-reimbursement basis for 1) materials, supplies and inventory commonly used by other departments, 2) monies set aside for the future replacement of vehicles and related equipment when their useful life has expired, 3) maintenance and repair of all City-owned vehicles, 4) payments for health, dental and vision insurance claims; life and disability claims (and related administrative costs); uninsured losses resulting from claims against the City (primarily used for workers’ compensation on a “self-insured” basis); unemployment compensation claims (and related administrative costs) and 5) administration and engineering costs for the City’s Public Works department.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s various utilities and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3) Fiduciary Funds Financial Statements – These statements report, in separate columns, the City’s custodial funds (aggregated into the “Custodial Funds” column). The City reports fiduciary activities as required by GASB Statement No. 84.

Custodial funds account for resources that are legally held in trust or custodial capacity for others, and therefore cannot be used to support the City’s own programs. Custodial funds include: 1) Columbia Point Master

Association Fund, 2) Uptown Business Improvement District Fund, 3) Downtown Business Improvement District Fund, 4) Southeast Communication Fund, 5) 800 MHz Radio Fund, 6) Microwave Fund 7) Emergency Management Fund and 8) VHF Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Because of the differences in measurement focus and basis of accounting between the governmental funds and government-wide financial statements, reconciliations are provided to facilitate the understanding of the City's financial statements. The governmental funds balance sheet includes a detailed reconciliation between fund balances of all governmental funds and governmental activities net position as reported in the Government-wide Statement of Net Position. The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a detailed reconciliation between the net changes in fund balances for all governmental funds and the changes in governmental activities net position as reported in the government-wide Statement of Activities.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54

BUDGET INFORMATION

The City's annual budget process begins early in the year with the development of the budget calendar, followed by workshops to identify priority parameters for the upcoming budget cycle. Formal budget preparation begins in May and lasts through September. As preparation progresses, meetings between staff and the City Manager are held to prioritize services and identify key projects to be incorporated into the budget. All requests are thoroughly reviewed to ensure they are cohesive with the City's strategic plan and overall financial picture. The City Manager submits the proposed budget to the City Council in October and it is available on November 1st for public review, with a public hearing taking place in November to provide a forum for public comment. First reading is given to the budget ordinance in November with final adoption occurring two weeks later. The formally adopted budget takes effect on January 1st of the ensuing year.

Annual appropriated budgets are adopted by ordinance in accordance with Revised Code of Washington (RCW) 35.33, for all funds except capital projects. Capital project budgets are adopted for the life of the project, which is authorized by ordinance or State law for purposes therein specified. While not required by law, the City also adopts budgets for proprietary funds and debt service funds. There is no substantial difference between the budgetary basis and GAAP.

The budget is adopted at the fund level, which constitutes the level of control at which expenditures of any given fund may not legally exceed appropriations. Formal budgetary integration is employed as a management control device. Throughout the year, the need may arise for a department/division to revise its budget due to unanticipated revenues or expenditures. At such times, a budget adjustment request must be submitted to the Finance Department. All adjustments that increase or decrease the fund budget, or that affect the number of authorized employee positions or FTE conditions of employment, require Council approval by Ordinance.

All appropriations lapse at year-end. Exceptions to this rule are capital outlay appropriations for the General Fund and Special Revenue Funds, and all appropriations for Capital Project Funds and Debt Service Funds. These are carried forward from year-to-year until fully expended, or the purpose of the appropriation has been accomplished or abandoned. Prior to this time, appropriations that have previously received Council approval will appear on a budget adjustment ordinance in order to provide the appropriations as specified in RCW 35.33.151.

For purposes of budgetary control, the City uses an encumbrance procedure through a centralized purchasing system linked to the City's general ledger. Encumbrances are recorded when items or services are requisitioned based upon estimated or known costs. When payment occurs, the encumbered value is reversed and actual cost is recorded. Encumbrances outstanding at year-end are reviewed, and the associated budget may be carried forward into the ensuing year with Council approval or absorbed into the budgeted appropriations of the ensuing year.

Budgetary information reported in the financial statements includes the original adopted budget and a comparison of final amended budget to expenditures for the General Fund and Special Revenue Funds.

Budgets established for Proprietary Funds are not reported in the Annual Comprehensive Financial Report (ACFR).

ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents - The City reports both restricted and unrestricted cash and cash equivalents. Cash equivalents are considered to be all highly liquid investments with maturity of three months or less when purchased. The restricted cash and cash equivalents are those resources whose use is limited to capital improvements, debt service or other uses per contractual or legal requirements. The following details the amount and purpose of the restricted cash and cash equivalents:

PURPOSE	ELECTRIC	WASTEWATER	SOLID WASTE	WATER	COLUMBIA PT GOLF COURSE	TOTAL
Capital Improvements	\$ 677,447	\$ 156,000				\$ 833,447
Landfill Closure/Post Closure			\$ 2,060,011			2,060,011
Debt Service	1,005,251		145,354	\$ 13,775	\$ 22,503	1,186,883
Total Restricted	\$ 1,682,698	\$ 156,000	\$ 2,205,365	\$ 13,775	\$ 22,503	\$4,080,341

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The City's total deposits as of December 31, 2022, are as follows:

Treasurer's Cash, Net	\$ 5,823,296
Held by Component Unit	119,510
Deposits In Transit	1,067,303
Petty Cash/Change Funds	6,050
Deposits with Fiscal Agent	1,173
Outstanding Checks	(2,809,371)
Unreconciled Items	6,525
Total Deposits	\$ 4,214,486

Receivables - The City's receivables consist of the following:

Taxes - These consist of accrued State shared revenue matched with the period the revenue became measurable and unpaid property taxes as of December 31. The property tax receivable is established when property taxes are levied (January 1st) and become an enforceable lien against the properties. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible tax is recorded because delinquent taxes are considered fully collectible.

The City is required to certify their budget with the Clerk of the Board of County Commissioners by November 30th and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the City of Richland at 100% of the fair market value of the property listed as of the prior May 31st as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with firefighter's pensions) by the Washington State Constitution and State law (RCW 84.55.010 and 84.55.0101). Special levies are approved by voters and not subject to the limitations. In 2022, the City's regular tax levy was \$2.1616 per \$1,000 on an assessed valuation

of \$8,910,318,246 for a total regular levy of \$19,260,195 (after the appeals process). The City's regular levy included \$0.040 for the Fire Pension Fund, which resulted in collections of \$330,000. In addition, there were special levies for debt service on general obligation debt issued for capital acquisitions or construction at \$0.1679 per \$1,000 of assessed valuation of \$8,874,143,336 totaling \$1,489,921 (after the appeals process). The composite City of Richland levy was \$2.3295 per \$1,000 of assessed valuation for a total levy of \$20,750,116.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are remitted daily by the Treasurer in accordance with RCW 84.56.230. Tax bills are mailed on February 14th, and the first of two equal installments is due on April 30th with the final installment due on October 31st. Penalties of 3% and 8% are assessed on June 1st and December 1st, respectively, on the current year delinquent taxes. In addition to the penalties, unpaid balances accrue interest of 1% of the outstanding balance beginning May 1st of the following year.

A portion of the receivable is expected to be collected within 60 days and is reported as revenue on the operating statements, as it is considered available to finance expenditures of the current period. However, a portion will remain delinquent, and the property will become subject to foreclosure proceedings by the County Treasurer. Foreclosure proceedings take approximately two years to complete. The following delinquent property tax receivables are reported as unavailable revenue (deferred inflows of resources) in the fund financial statements:

General Fund	\$422,146
Other Governmental Funds	
Library Remodel Bond Fund	32,770
TOTAL	<u><u>\$454,916</u></u>

Leases Receivable - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, in fiscal year 2022. The Statement establishes a uniform approach for lease accounting based on the principle that leases are financings of the right to use an underlying asset. In accordance with the statement parties to a lease agreement, the lessee and lessor, are required to recognize a lease liability and an intangible right-to-use lease asset (a capital asset hereinafter referred to as the lease asset), and a lease receivable and deferred inflow of resources, respectively. The new leases standard also requires enhanced disclosure which include a general description of the leasing arrangement, the aggregated amount of resource inflows and outflows recognized from lease contracts, including those not included in the measurement of the lease liability and receivable, and the disclosure of the long-term effect of lease arrangements on a government's resources (See Note 6 - Leases).

Customer Accounts (Net) – The City's governmental activities consist primarily of accrued business taxes and receivables in internal service funds primarily serving governmental activities. Also reported in the governmental activities are amounts owed for unpaid leases, damages to City street infrastructure, administrative support provided by City staff and local improvement district assessments due. The City's business-type activities consist primarily of amounts owed for billed utility services. Utility billings become a receivable as of the billing date. No adjustment is made to accrue revenues by service date, as any such adjustment is considered immaterial. All accounts receivable are recorded net of allowance for uncollectible accounts, where applicable.

In the City's Medical Services Fund, these receivables consist of amounts billed for transport services provided as well as a utility charge. The revenue recorded for the receivable associated with transport services provided is recognized on the full-accrual basis in the period in which the services are provided at the City's established transport rate. Certain transport services are reimbursed under Medicare and/or Medicaid programs which have allowed rates for transport services. The difference between the City's transport rate and the Medicare/Medicaid established rate is written off by the City in accordance with State and Federal laws. The City records the estimated amount of the write-off based on the transports billed and reports this as a reduction to gross transport revenues.

Due from Other Governments – In the City's governmental activities, these consist primarily of outstanding requests for grant reimbursement and fees received through State shared revenue distributions. Amounts due from other governments to the City's business-type activities are for outstanding requests for grant reimbursements.

Assessments - These consist of assessments receivable from local improvement districts. The receivable is established when the final assessment roll has been adopted. No allowance for uncollectible assessments is recorded because delinquent assessments are considered fully collectible. Assessments are deferred for one year from the date of the adoption of the final assessment roll. Long-term assessments in the Special Assessment Debt Service Fund are offset by deferred inflows, as they are considered unavailable to finance expenditures of the current period. As of December 31, 2022, the City had the following assessment balances:

	Current Assessments	Delinquent Assessments	Long Term Assessments	Deferred Inflows	Fund Total
Debt Service Fund Assessments Receivable (LIDs)	\$ 2,822	\$ 3,068	\$ 5,250	\$ (5,250)	\$ 5,890
Water Fund Assessments Receivable	-	12,120	70,851	-	\$ 82,971
Sewer Fund Assessments Receivable	-	11,282	65,953	-	\$ 77,236
Total	\$ 2,822	\$ 26,471	\$ 142,054	\$ (5,250)	\$ 166,097

Notes and Contracts - These consist primarily of unpaid loans by grant participants in the City's Community Development Block Grant (including Rental Rehabilitation) and HOME programs. The receivable is established when the loan is issued. These receivables are not considered to be available to finance expenditures of the current period. The following is a breakdown by fund:

Other Governmental Funds	
CDBG fund	\$725,844
HOME fund	<u>778,602</u>
TOTAL	<u>\$1,504,446</u>

The Columbia Point Golf Course also has a \$125,000 working capital advance from the City, which was established as part of a management contract for daily operation of the City's golf course.

Internal Balances - The City's activities between funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year. They are referred to as "interfund loans receivable/payable. All other outstanding balances between funds are reported as "due to/from other funds". Loans between funds are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources. The City reports all interfund activity in the fund statements. In the government-wide Statement of Net Position, receivables and payables between like activities are eliminated leaving only receivables and payables between governmental and business-type activities, which are all reported as "internal balances."

The following table shows a summary of the interfund balances for the year ended December 31, 2022:

OWED TO...	OWED BY...				
	Streets Construction	Other Governmental	Other Enterprise	Internal Service	TOTAL
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Water Fund	-	-	7,780	-	7,780
Internal Service	-	-	-	28,739	28,739
Total	\$ -	\$ -	\$ 7,780	\$ 28,739	\$ 36,519

Purpose: Amounts owed for work performed to be repaid over time.

OWED TO...	OWED BY...	
	Other Enterprise	TOTAL
Reported In	Columbia Point Golf Course	
Water Fund	\$ 7,780	\$ 7,780
Total	\$ 7,780	\$ 7,780

Purpose: To provide interim financing in anticipation of the receipt of grants, other revenues or payments on accounts.

OWED TO...		OWED BY ...	
Reported In	Fund	Internal Service	TOTAL
		Central Stores	
Internal Service	Equipment Replacement	\$ 28,739	\$ 28,739
Total		\$ 28,739	\$ 28,739

Inventories and Prepaid Items - Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. In the governmental fund statements, a portion of fund balance equal to the ending amount of inventory is presented as non-spendable to indicate that it is not available for future expenditures. A comparison to market value is not considered necessary as inventories in proprietary funds are valued at average cost, which approximates market value. Prepaid items include LEOFF trust monthly premium, maintenance and warranty support agreements, annual service renewals and annual subscription renewals.

Investment in Joint Ventures - These consist of the following:

Benton County Emergency Services (BCES) - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton and Franklin County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton and Franklin County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2022 for these services was \$520,987. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

BCES is comprised of five funds, Southeast Communications (SECOMM), 800 MHz Radio, Microwave, Benton County Emergency Management (BCEM) and VHF.

SECOMM - SECOMM provides public safety communications services to the Cities of Kennewick, Richland, Pasco and the Counties of Benton and Franklin. Each owns an equal share of SECOMM's net assets. Financial participation is allocated among the five participants based on equal shares of capital expenses, predetermined fixed costs, direct costs and percentages of use. SECOMM also provides service through contracts to the Cities of West Richland, Prosser, and Connell, the Benton and Franklin County Fire Protection Districts, Port of Pasco, Walla Walla Fire District #5 and the North Franklin County Hospital district. Service contract agencies are assessed on a cost per capita or cost per call basis.

The City of Richland's equity interest in SECOMM as of December 31, 2022 was \$1,170,027 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

800 MHz - 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Framatome Corporation. Radios are charged an annual fee per radio to generate the funds necessary to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2022 was \$630,342 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

Microwave - The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each owns an equal share of Microwave's net assets. The City of Richland's equity interest in Microwave as of December 31, 2022 was \$54,078 which is reported as an asset in the government-wide Statement of Net

Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

BCEM - BCCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Richland's equity interest in BCCEM as of December 31, 2022 was \$36,003, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

VHF - The VHF assets and system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. This is a new fund and participants will be the various fire agencies. The City of Richland's equity interest in VHF as of December 31, 2022 was \$0. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained at the City of Richland, 625 Swift Blvd, Richland, Washington.

Bi-County Police Information Network - The Bi-County Police Information Network (BI-PIN) was established November 24, 1982, when an Interlocal Agreement was entered into by eight participating municipal corporations; the Cities of Kennewick, Pasco, Richland, Connell, West Richland, and Prosser, and Benton and Franklin Counties. BI-PIN was established to assist the participating police and sheriff's departments in the deterrence and solution of criminal incidents. BI-PIN is served by an Executive Committee composed of the City Manager of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. A liaison from the Bi-County Chiefs and Sheriffs is an ex officio, non-voting member.

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution.

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, and risk management and information systems. The total amount paid by BI-PIN in 2022 for these transactions was \$46,122.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all supporting infrastructure. The City of Richland's equity interest in BI-PIN was \$273,879 on December 31, 2022, which is reported as an investment in joint ventures in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

Metro Drug Forfeiture Fund - The Metropolitan Controlled Substance Enforcement Group (Metro) was established prior to 1987, when an Interlocal Agreement was entered into by six participating municipal corporations, the Cities of Kennewick, Pasco, Richland, and West Richland, and Benton and Franklin Counties. Metro was established to account for the proceeds of forfeitures, Federal grants, and court ordered contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and investigations. Metro is served by an Executive Committee composed of the City Manager or designee of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity. Effective July 1, 2009, the City of Kennewick assumed responsibility for the operation of Metro. As the operating jurisdiction, Kennewick provides accounting services for the operation of Metro.

The City of Richland's equity interest in Metro was \$56,746 on June 30, 2022, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the Government-wide Statement of Activities under Public Safety. The City does not anticipate any income distributions from Metro.

Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

Land Held for Sale – The City maintains an inventory of land held for sale, primarily for industrial and economic development purposes. Land held for sale is presented on the Government-Wide Statement of Net Position at acquisition value, if known, or at estimated acquisition value.

Capital Assets - Capital assets, which include property, plant, equipment, intangibles (software) and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) with an initial, individual cost and estimated useful life in excess of \$5,000 and one year, respectively, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets include outlays for purchased assets as well as self-constructed assets.

Self-constructed assets are capitalized as work in progress until the projects are completed and ready to be placed in service. Self-constructed assets of proprietary funds are capitalized net of any interest costs; however, most self-constructed assets are completed within one or two months making the interest factor immaterial. Capital assets purchased or constructed are recorded at cost. Donated capital assets are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized. In accordance with GASB 34, the City's infrastructure assets include those acquired prior to fiscal periods ending after June 30, 1980. The City is not following the modified approach for its infrastructure assets.

Depreciation on all capital assets is recorded as an allocated expense in the Government-wide Statement of Activities and in the proprietary fund statements. Capital assets are reported net of depreciation. The City uses the straight-line method to depreciate assets based on the following estimated useful lives:

<u>ASSET TYPE</u>	<u>ESTIMATED USEFUL LIFE</u>
Buildings	20-50 years
Non-Building Improvements	10-100 years
Utility Plant	10-60 years
Equipment	2-25 years
Software	6 years

Depreciation in the utility funds is computed on asset pools to which a composite percentage rate is applied. The rate for the Electric Fund is from 1.5 to 10 percent per year as prescribed by the Federal Energy Regulatory Commission (FERC). Additional information on the City's capital assets is provided in Note 3.

Liabilities

Accounts Payable and Accrued Expenses – These consist primarily of 1) unpaid claims of vendors for products and services provided to the City, which are normally satisfied in the first months of the subsequent fiscal period, 2) accrued interest on long-term debt, as applicable, 3) retainage, and 4) accrued wages and benefits.

Payable to Other Governments – In governmental activities, these consist primarily of amounts owed to Washington State for their share of City activities (e.g. gun permits, business licenses, etc.) and the City's jail and court costs owed to Benton County. In business-type activities, these consist primarily of taxes due to Washington State resulting from the operation of the City's golf course, debt service accrual for principal and interest payments of State loans.

Deposits Payable – These consist primarily of amounts due to customers for deposits made for City utility services.

Claims and Judgments – These consist primarily of amounts owed for incurred but not reported claims in the City's Workers Compensation, Health Care Benefits Plan, Unemployment and Post-Employment Health Care Plan internal service funds.

Unearned Revenue – These include amounts recorded as receivables or other assets for which the revenue recognition criteria has not yet been met. They consist primarily of federal and Washington State grant funds received by the City for which recognition of revenues requires meeting certain grant provisions, unredeemed gift certificates at Columbia Point Golf Course and facility fees in Richland Energy Services, water and sewer.

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

net pension asset, the City includes the net pension asset and the related deferred outflows and deferred inflows.

The City's financial statements recognize a proportionate share of Net Pension Liability (NPL), Net Pension Asset (NPA), deferred inflows and outflows and pension expense for its four State sponsored plans. The City's financial statements also include two local government plans that are reported pursuant to GASB 73 requirements. Allocations to proprietary funds are reported on proprietary fund statements and allocations to governmental funds are reported on the Government Wide Statement of Net Position. This is discussed in more detail in Note 10.

Total Other Post-Employment Benefits (OPEB) Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information of the City's Retiree Health Benefit Plan and City's LEOFF 1 Fire and Police Plans (the Plans) have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. The City's total OPEB liability was valued as of December 31, 2022 and was used to calculate the total OPEB liability measured as of December 31, 2022. The City implemented GASB Statement No. 75 in 2018. OPEB is discussed in detail in Note 9.

Leases payable – Reports the net present value of future payments on leased assets. (See Note 6 – Leases)

Long-term Liabilities – This section includes bonds, notes, contracts payable and other noncurrent liabilities – See Note 4 for a complete discussion of the City's long-term liabilities.

Deferred Charges and Outflows/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement component represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement component represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources until that time. The City has uncollected property taxes levied and unbilled special assessments levied against benefitted property for the cost of local improvements. These deferred inflows are reported in the governmental funds balance sheet.

Net Position, Equity and Fund Balances

Restricted Net Position – In accordance with bond resolutions, related agreements and laws, separate restricted accounts have been established. These assets are restricted for specific uses including debt service, bond reserve requirements and capital additions. When both restricted and unrestricted resources are available for the purpose of the restriction, the City uses the restricted portion until entirely consumed, then the unrestricted portion.

Classification of Fund Balances – GASB Statement No. 54 requires fund balances to be classified as either; nonspendable, restricted, committed, assigned, or unassigned, based upon the level of constraint upon the resources contributing to them. *Restrictions* of fund balance follow the same policy as restricted net position described in the previous section. Resources and related fund balances are *committed* to a use or purpose by

the City's highest level of decision-making authority, represented by the City Council. The City Council can commit resources by ordinance during any Council meeting where a quorum is present. Similar action must be taken to change the commitment of resources. Resources are often *assigned* for specific purposes by management-level staff, usually when that resource relates to a specific function, which does not necessarily require Council action. Other than in the General fund, this is the least restrictive classification for fund balance. The City does not have a formal policy governing the assignment of resources. In the General fund, fund balances for which no constraint is made on use are considered *unassigned*.

When expenditures are incurred for which both restricted and unrestricted resources are available, the City will consider restricted resources to be used first until exhausted, and then spend unrestricted resources. When expenditures are incurred for which more than one classification of unrestricted resources are available, the City will consider committed resources to be spent first, followed by assigned and then unassigned resources.

Details on the purpose of constraints on fund balance are presented in Note 15 to the financial statements.

Minimum Fund Balance – The City's financial policies, as outlined in the 2022 annual budget document, state that minimum reserves should be maintained in the General Fund equal to approximately 16.7%, or two months, of projected annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

Stewardship, Compliance and Accountability - There have been no material violations or possible violations of laws or regulations and finance-related legal or contractual provisions whose effects should be considered for disclosure in the financial statement or as a basis for recording loss contingencies, except as disclosed in Note 12. The City has satisfactory title to all owned assets and there is no lien or encumbrance on such assets, nor has any asset been pledged.

Prior Period Adjustments – Occasionally, a prior period adjustment is required to adjust fund balance for corrections of prior year amounts that should not flow through the current year Revenue and Expenditure statements. The following table itemizes all the prior period adjustments made in 2022, along with the purposes for the adjustments:

	Purpose for Adjustment	Increase / (Decrease) due to adjustment		
		Assets	Liabilities	Net Position
Fund Financial Statements:				
Governmental Funds:				
FS73 Construction	1	114,439		114,439
FS75 Construction	1		102,586	(102,586)
Total Governmental Funds		114,439	102,586	11,853
Enterprise Funds:				
Stormwater	2	3,616	-	3,616
Broadband	3	25,099	-	25,099
Total Enterprise Funds		28,715	-	28,714
Total prior period adjustments - all funds		143,154	102,586	40,567
Government-wide Financial Statements				
Governmental Activities:				
Adjustment to value of Land held for resale	4	141,523	-	141,523
Reduction to Fire Stations capital assets	1	(11,853)	-	(11,853)
Total Governmental Activities		129,670	-	129,670
Total prior period adjustments - all funds and govt activities		272,824	102,586	170,237

Purpose for adjustments:

1. Prior period adjustment to correct contract retainage for Fire Station Construction funds accrued in 2021 and released in 2022.
2. Prior period entry posted to adjust interest portion of Dept of Ecology loan balance after August 2022 loan principal payment.
3. Use tax payable accrued with each dark fiber lease billing, however the payment of use tax was posted to tax expense. Prior period adjustment was required to reduce the liability account.
4. When evaluating the land held for resale after completion of a large multi-year option agreement in the Horn Rapids Residential area, an adjustment was needed to correct the number of acres of available land.

NOTE 2. INVESTMENTS

Investments Measured at Amortized Cost

As of December 31, 2022, the City held the following investments at amortized cost:

<u>Type of Investment</u>	<u>Maturities</u>	
State Investment Pool (LGIP)	Average 19 days	40,350,472
Total		40,350,472

The City is a voluntary participant in the Local Government Investment Pool (LGIP). The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the Governmental Accounting standards Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with GAAP. The LGIP was formed under and is regulated by the RCW. As mandated by State law, the State Treasurer periodically reports to the Governor, the State Auditor and the Joint Legislative Audit and Review Committee. The State Auditor's Office is responsible for monitoring the pool's compliance with State statutes and policy. The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the OST, PO Box 40200, Olympia, WA 98504-0200, or online at www.tre.wa.gov.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform Office of State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m. at the sole discretion of OST. All participants are required to file documentation with the State Treasurer containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Investments Measured at Fair Value

In order to receive the best interest rate possible, the City invests large increments of residual pooled cash over various lengths of time. Investments are reviewed daily and made regularly for all available monies not essential to operations. The interest on these investments is prorated to each fund based on the average of its previous two-month's ending cash balances. As required by State law and the City's Investment Policy, all investments of the City's funds (except as noted) are obligations of the US Government or Washington State Municipalities.

Custodial Credit Risk: The risk that in event of a failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments are insured, registered and held by its agents in the City's name. The City does not have a formal policy for custodial credit risk.

Interest Rate Risk: In order to manage its exposure to fair value losses arising from increasing interest rates, the City portfolio's weighted average maturity was kept as low as possible while taking advantage of opportunities in short and medium term securities. The City does not have a formal policy that addresses interest rate risk.

Credit Risk: The following represents the allocation and credit rating of City investments by type of security as of December 31, 2022:

Federal Home Loan Mortgage Corporation	AAA	3%
Federal National Mortgage Association	AAA	4%
Federal Home Loan Bank	AAA	36%
U. S. Treasury Securities	AAA	13%
Municipal Bonds	A- to AAA	22%
Local Governmental Investment Pool	Unrated	21%
Pension Mutual Funds	Unrated	1%

The City measures and reports investments at fair value using the valuation input hierarchy established by GAAP, as follows:

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

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At December 31, 2022, the City had the following investments at fair value:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturities
GOVERNMENTAL ACTIVITIES				
U. S. Treasury Securities	\$ 10,614,579	\$ 10,614,579		0.28
U.S. Government Securities	34,484,727		\$ 34,484,727	1.59
Municipal Bonds	17,456,509		17,456,509	0.66
Bond Mutual Funds	620,110	620,110		N/A
Subtotal Governmental Activities	63,175,925	11,234,689	51,941,236	
BUSINESS TYPE ACTIVITIES				
U. S. Treasury Securities	12,855,759	12,855,759	-	0.28
U.S. Government Securities	41,765,891		41,765,891	1.59
Municipal Bonds	21,142,306		21,142,306	0.66
Subtotal Business Type Activities	75,763,956	12,855,759	62,908,197	
Total Investments by Fair Value Level	\$ 138,939,881	\$ 24,090,448	\$ 114,849,433	

NOTE 3. CAPITAL ASSETS

Governmental Activities - A summary of governmental capital assets for the year ended December 31, 2022 is presented in the following table:

Governmental activities	Revised Balance January 1, 2022	Increases	Decreases	Transfers/ Reclassifications	Balance December 31, 2022
Capital Assets, not being depreciated:					
Land	\$ 8,001,359	\$ 2,287,620	\$ -	\$ 29,333	\$ 10,318,311
Construction in progress	7,486,112	4,542,314	(2,258,068)		9,770,358
Total capital assets, not being depreciated	15,487,471	6,829,933	(2,258,068)	29,333	20,088,669
Capital Assets, being depreciated:					
Buildings and improvements	99,476,026	2,396,309			101,872,336
Machinery and equipment	9,703,842	270,047			9,973,890
Infrastructure	292,469,988	3,949,772		(66,423)	296,353,337
Intangibles	3,195,734	422,999			3,618,733
Total capital assets, being depreciated	404,845,591	7,039,127	-	(66,423)	411,818,295
Less accumulated depreciation for:					
Buildings and improvements	(41,113,857)	(2,778,697)			(43,892,554)
Machinery and equipment	(7,802,076)	(425,794)			(8,227,871)
Infrastructure	(167,357,190)	(4,773,641)			(172,130,831)
Intangibles	(1,092,596)	(324,866)			(1,417,463)
Total accumulated depreciation	(217,365,719)	(8,302,999)	-	-	(225,668,718)
Total capital assets being depreciated, net	187,479,872	(1,263,872)	-	(66,423)	186,149,577
Governmental activities capital assets, net	\$202,967,343	\$5,566,061	(\$2,258,068)	(\$37,090)	\$206,238,246

The balance as of January 1, 2022 was revised to reflect the prior period governmental capital assets adjustments. Buildings and Improvements balance was decreased by \$11,852 to correct contract retainage for Fire Station Construction funds accrued in 2020 and 2021 and released in 2022 (\$114,439 decrease for Fire Station 73 and \$102,586 increase for Fire Station 75).

Transfers and reclassifications reflect the following:

- Reclassifying \$29,333 value of 5.25 acres of land designated for a future fire station from land held for resale into a capital asset.
- Donating an infrastructure asset acquired by Industrial Development fund (relocation of Howard Amon Park sewer) with acquisition cost of \$66,423 to Wastewater Utility fund. The asset had not yet begun to depreciate, therefore there was no adjustment to accumulated depreciation.

Depreciation expense was charged as follows:

<u>FUNCTION</u>	<u>TOTAL</u>
General government	\$1,416,169
Public safety	591,048
Transportation	4,626,580
Economic environment	192,019
Culture & recreation	1,477,182
TOTAL DEPRECIATION EXPENSE	\$8,302,999

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The following is a list of construction commitments existing as of December 31, 2022 in the City's governmental-type activities.

Fund	Project	Spent as of December 31, 2022	Remaining Committed
Major Funds:			
General Fund	Richland Community Center Lobby Remodeling	116,308	19,119
General Fund Total		116,308	19,119
Industrial Development	Horn Rapids Rail Improvements	4,108	27,789
Industrial Development Fund Total		4,108	27,789
Streets Capital Construction	Duportail Bridge	29,294,932	1,275,992
Streets Capital Construction	Duportail Bridge Phase 2 - Railroad Crossing	4,172,087	200,020
Streets Capital Construction	Center Parkway North - Gage to Tapteal	3,965,947	1,536,608
Streets Capital Construction	Columbia Park Trail Improvements - East	3,685,281	9,616
Streets Capital Construction	SR240 and Aaron Drive Interchange Improvement	144,329	38,536
Streets Capital Construction	South George Washington Way Intersection Improvements	590,063	375,301
Streets Capital Construction	Citywide Traffic Signal System Safety Upgrades	997,444	2,161
Streets Capital Construction	Center Parkway South - Leslie to Clearwater	373,059	5,897
Streets Capital Construction	ADA Curbs and Wheelchair Ramps	316,579	42,262
Streets Capital Construction	Vantage Highway Pathway Phase 2	93,136	4,528
Streets Capital Construction	LED Streetlight Retrofit	1,263,747	443,822
Streets Capital Construction	Downtown Connectivity Improvements	258,925	255,782
Streets Capital Construction	Clubhouse Lane Extension Phase 2	40,182	23,288
Streets Capital Construction	Henderson Loop Phase 2	678,844	1,704,380
Streets Capital Construction Fund Total		45,874,556	5,918,192
Non-Major Funds:			
Fire Station 76 Construction	Fire Station 76 Construction	163,889	93,651
Parks Construction	Wayfinding and Gateway Entrance Improvements	638,828	3,873
Parks Construction	Shoreline Enhancements	104,547	30,229
Parks Construction	Badger Mountain Trail Improvements	260,446	8,029
Parks Construction	Leslie Groves Park Enhancements	14,496	7,919
Parks Construction	West Village Park at Badger Mountain South	240,828	59,368
Parks Construction	Howard Amon Riverfront Trail	110,127	47,628
Parks Construction	Uptown ADA Improvements	563,528	39,816
General Government Construction	City Hall - New Economic Development Suite	54,063	23,679
Non-Major Funds Total		2,150,751	314,192

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A summary of other, not construction-related encumbrances for governmental-type activities is presented below.

Fund	Total Encumbered as of December 31, 2022
Major Funds:	
General Fund	\$ 677,066
Industrial Development Fund	29,572
Streets Capital Construction Fund	714,767
Non-Major Funds:	
Total Non-Major Funds	146,570
TOTAL	\$ 1,567,976

Business-Type Activities - A summary of business-type capital assets for the year ended December 31, 2022 is presented in the following table:

Business-type activities	Balance January 1, 2022	Increases	Decreases	Transfers/ Reclassifications	Balance December 31, 2022
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,823,153	\$ 8,632	\$ -	\$ -	\$ 8,831,785
Construction in progress	4,241,688	15,094,337	(6,668,698)	-	12,667,327
Total capital assets, not being depreciated	13,064,841	15,102,969	(6,668,698)	-	21,499,112
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	56,540,878	23,764	(8,000)	-	56,556,642
Machinery and equipment	48,659,187	11,199,602	(2,126,029)	284,294	58,017,054
Infrastructure	444,834,346	16,896,567	-	(284,294)	461,446,619
Total capital assets, being depreciated	550,034,411	28,119,933	(2,134,029)	-	576,020,315
Less accumulated depreciation for:					
Buildings and improvements	(33,077,545)	(983,020)	8,000	-	(34,052,565)
Machinery and equipment	(28,836,526)	(3,591,977)	1,960,593	-	(30,467,910)
Infrastructure	(184,695,650)	(11,140,792)		-	(195,836,442)
Total accumulated depreciation	(246,609,721)	(15,715,789)	1,968,593	-	(260,356,917)
Total capital assets being depreciated, net	303,424,690	12,404,144	(165,436)	-	315,663,398
Business-type activities capital assets, net	\$ 316,489,531	\$27,507,113	\$(6,834,134)	\$ -	\$ 337,162,510

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The following is a list of construction commitments existing as of the year ended December 31, 2022 in the City's business-type activities:

Fund	Project	Spent as of December 31, 2022	Remaining Committed
Major Funds:			
Electric	Underground Boring	918,126	380,385
Electric	City View Substation	127,674	3,947,600
Electric	Smart Grid	824,554	266,635
Electric Utility Fund Total		1,870,354	4,594,620
Water	Automated Meter Reading (AMI) System	5,472,962	1,018,069
Water	Chief Joseph Middle School Irrigation Well	163,556	69,684
Water	UV Facility Upgrades	892,089	371,214
Water	Tapteal Pump Station Upgrades	234,667	157,876
Water	Salt Silos	355,970	142,214
Water	Torbett-McPherson Water Main Replacement	2,674,165	115,604
Water	Yakima River Crossing Pipeline Replacement - Duportail Bridge	4,497,638	155,617
Water	Columbia Park East Trail East System Improvements	68,917	1,515
Water	Reservoir recoating Improvements	147,010	204,844
Water	Booster Pump Stations 400 Area	64,429	8,017
Water Utility Fund Total		14,571,403	2,244,655
Sewer	Waste Water Treatment Facility Digester Improvements	1,715,039	60,073
Sewer	Waste Water Treatment Facility Aeration Basin #2 Retrofit	1,535,598	11,171,951
Sewer	Battelle Lift Station	12,935	67,487
Sewer	Torbett-McPherson Water Main Replacement	113,384	5,101
Sewer	B Basin Trench Rehabilitation	963,725	366,699
Sewer	WWTP Lab Improvements	791,488	9,731
Sewer	Columbia River Sewer Outfall	-	11,800
Wastewater Utility Fund Total		5,132,170	11,692,842
Non-Major Funds:			
Solid waste	Horn Rapids Landfill	173,352	2,337,956
Stormwater	NR09 Upbasin Stormwater Retrofit	27,716.36	6,700
Stormwater	Hains Ave Stormwater Outflow Retrofit	43,660	15,000
Stormwater	Columbia Park East Trail East System Improvements	809,158	263
Stormwater	Columbia Park East Trail West -Leslie System Improvements	747,051	40,620
Stormwater	Pavement Preservation Program - contract 238-22	32,507	7,131
Non-Major Funds Total		1,833,444	2,407,670

A summary of other, non-construction related encumbrances for business-type activities is presented below.

Fund	Total Encumbered as of December 31, 2022
Major Funds:	
Electric Utility Fund	\$ 1,890,559
Water Utility Fund	55,876
Wastewater Utility Fund	118,344
Non-Major Funds:	
Total Non-Major Funds	6,544,401
TOTAL	\$ 8,609,180

NOTE 4. LONG-TERM DEBT AND LIABILITIES

Governmental Activities

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes, loans payable to state agencies, and Local Program loans through Office of the State Treasurer 4) total Other Post-Employment Benefits (OPEB) Liability, 5) Net and Total Pension Liability, 6) refunded bonds, and 7) right-to-use leases. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2022.

General Obligation Bonds – General obligation bonds consist of voter approved and non-voted or Councilmanic bonds, issued to pay for the construction and acquisition of major capital assets. Voter approved bonds are repaid from special property tax levies, and Councilmanic bonds are repaid from general revenues of the City. The bonds support governmental activities and are included in the table of governmental liabilities in this section.

Notes, Loans Payable to State Agencies and Local Program Loans through Office of the State Treasurer – The governmental funds have one outstanding Community Economic Revitalization Board (CERB) Loan, which was issued in 2005 for the extension of Battelle Boulevard. In 2015, the Washington State Department of Transportation (WSDOT) provided the Street Fund with a rail loan. In 2020 the City utilized the State Treasurer's Office Local Program to finance the construction of two new fire stations. Loans and notes are considered obligations of the general government and will be repaid with general governmental revenue sources.

Total OPEB Liability – As described in Note 9, the City administers a single-employer defined benefit post-employment healthcare plan, providing healthcare insurance for eligible retirees, their spouses, and their children. The City is also responsible for administering two OPEB Plans for Pre LEOFF police officers and firefighters. The Total OPEB Liability (TOL) at year end for each plan is included in the long-term debt table presented later in this section. GASB Statement 75 was implemented in 2018. A large part of GASB 75 was

improving the approach to measuring the liability and requiring governments to report the liability on their financial statements. The TOL for all fund types as of December 31, 2022, was \$10,774,897. The TOL as of December 31, 2022, related to governmental activities was \$9,490,328. The current portion of the TOL for governmental activities was \$771,646.

Net and Total Pension Liability – GASB 68 became effective with the 2015 ACFR. As such, the City is required to report a proportionate share of the State’s pension liability from the PERS 1, 2 and 3, LEOFF 1 and 2 State Pension Plans. LEOFF Plans and PERS Plans 2 and 3 have Net Pension Assets which are not reflected in this section, however PERS Plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City’s share of the Net Pension Liability for PERS 1 was \$5,517,195 of which \$2,951,492 was related to governmental activities. This amount has been allocated to Governmental activities and Business type activities based on the contributions of each fund. Governmental Funds are only reported on the Statement of Net Position; however, proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF police and fire officers. The Total Pension Liability for each of those plans is included in the long-term debt table presented later in this section. These two plans are reported in accordance to GASB 73, which became effective for the City with the 2018 ACFR.

Refunded Bonds – In prior years the City defeased certain general obligation bonds by placing a portion of the proceeds from new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City’s financial statements. At December 31, 2022, no bonds outstanding are considered defeased.

Right-to-Use Leases – The City implemented Statement No. 87 where a contract conveys control of the right to use another entity’s underlying asset for a period of time in an exchange or exchange-like transaction. The city holds several leases such as land, office space, and equipment that fall under these categories.

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City of Richland, Washington
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For the Year Ended December 31, 2022

The following table provides a complete and comprehensive record of all long-term governmental liabilities as of December 31, 2022:

SCHEDULE OF LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS-VOTED								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
2015 Refunding UTGO Police Station/Community Center/Library Remodel	2.00%-5.00%	12/1/2026	14,385,000	7,315,000		1,265,000	6,050,000	1,355,000
TOTAL UNLIMITED TAX GENERAL OBLIGATION BOND DEBT							6,050,000	1,355,000
LIMITED TAX GENERAL OBLIGATION BONDS-NONVOTED, COUNCILMANIC								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	2.00%- 4.30%	12/1/2039	3,170,000	1,155,000		65,000	1,090,000	70,000
2013A LTGO LRF to finance infrastructure in RAISE area	1.125%-4.00%	12/1/2037	10,050,000	7,990,000		380,000	7,610,000	395,000
2014 LTGO Fire Station #74 Construction	2.0%-4.0%	12/1/2034	3,355,000	2,435,000		150,000	2,285,000	155,000
2017 LTGO & Refunding & 2006 Refunding Bonds (City Hall Portion)	3.0%-5.0%	12/1/2045	13,255,000	12,655,000		310,000	12,345,000	325,000
2017 LTGO & Refunding & 2006 Refunding Bonds (2006 Refunding Portion)	2.0%-4.0%	12/1/2045	2,875,000	1,180,000		220,000	960,000	225,000
Local Fire Stations 73 & 75	2.21731%	6/1/2040	5,445,000	5,290,000		175,000	5,115,000	180,000
TOTAL LIMITED TAX GENERAL OBLIGATION BOND DEBT							29,405,000	1,350,000
Unamortized Premiums				4,103,767	-	324,804	3,778,963	
TOTAL GENERAL OBLIGATION BOND DEBT NET OF UNAMORTIZED PREMIUMS							39,233,963	2,705,000
OTHER GOVERNMENTAL LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
C2003-148- Community Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	1.00%	1/1/2026	780,000	273,037		53,526	219,511	54,061
WSDOT Rail Loan for Streets	0.00%	7/1/2025	399,982	159,993		39,998	119,995	39,998
Compensated Absences		N/A	-	3,618,077	3,577,112	3,091,284	4,103,905	2,234,961
Total Pension Liab-Pre LEOFF 1 Plan Fire		N/A	-	1,492,190		551,851	940,339	110,593
Total Pension Liab-Pre LEOFF 1 Plan Police		N/A	-	3,191,920		1,030,380	2,161,540	192,982
Total OPEB Liability - LEOFF 1 Plan Fire		N/A	-	3,920,705		1,830,831	2,089,874	160,386
Total OPEB Liability - LEOFF 1 Plan Police		N/A	-	4,727,042		1,569,329	3,157,713	244,731
Right-to-Use Leases		N/A	-	19,329		9,664	9,665	9,665
Net Pension Liability- State PERS/LEOFF Plans		N/A	-	1,012,604	1,938,888	-	2,951,492	-
Total OPEB Liability - City Post Emp Healthcare		N/A	-	7,112,167		2,869,426	4,242,741	366,529
TOTAL OTHER GOVERNMENTAL LIABILITIES							19,996,774	3,413,907
TOTAL GOVERNMENTAL LIABILITIES							59,230,737	6,118,907

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2022 for governmental debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR GOVERNMENTAL ACTIVITIES			
YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2023	\$ 2,799,060	\$ 1,516,826	\$ 4,315,885
2024	\$ 2,944,600	\$ 1,419,236	\$ 4,363,836
2025	\$ 3,120,146	\$ 1,305,240	\$ 4,425,386
2026	\$ 3,270,700	\$ 1,168,651	\$ 4,439,351
2027	\$ 1,320,000	\$ 1,023,144	\$ 2,343,144
2028-2032	\$ 7,445,000	\$ 4,268,148	\$ 11,713,148
2033-2037	\$ 7,915,000	\$ 2,712,598	\$ 10,627,598
2038-2042	\$ 4,540,000	\$ 1,219,375	\$ 5,759,375
2043-2047	\$ 2,440,000	\$ 248,000	\$ 2,688,000
TOTAL	\$ 35,794,506	\$ 14,881,218	\$ 50,675,724

Business-Type Activities

Long-term liabilities of the City's business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City's landfill, 5) Leases 6) total Other Post-Employment Benefits (OPEB) Liability, 7) Net Pension Liability (NPL) and 8) Local Improvement Districts (LID's) with commitments. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2022.

Revenue Bonds and General Obligation Bonds – Revenue Bonds issued to finance the construction and acquisition of major capital facilities and infrastructure in the City's utilities are backed by the revenues generated from the respective utility. Business-type activities also include certain Councilmanic general obligation bonds issued in 2010 and 2013. The general obligation bonds for business type funds are called out in a separate section of the table of business type liabilities in this section.

Notes and Loans Payable to State Agencies – The Water Fund has financed several large capital replacement projects with Public Works Trust Fund and Drinking Water Revolving Loans. The Storm Water Fund utilized two Department of Ecology loans to 1) develop the Storm Water Comprehensive Plan and 2) retrofit and relocation of the decant facility. The Wastewater Fund completed the Aeration Basin Project utilizing a Department of Ecology Recovery Act Loan. The Broadband fund utilized a local governmental agency loan to finance a portion of the fiber network.

Landfill Closure and Post-Closure Care Liability - The City of Richland owns and operates the Horn Rapids Landfill, which includes the 46-acre existing landfill permitted for disposal of MSW, a support facility, a 9-acre composting facility, a customer service transfer station that includes a small household hazardous waste receiving area, and the 104-acre landfill Expansion, which began operation in the fall of 2020. State and Federal regulations require that the City place a final cover on its landfill once its capacity is depleted. The City is also required to perform maintenance and environmental monitoring at the site for thirty years following closure.

Although closure and post-closure care costs will be paid only near or after the date the landfill site is filled to capacity, the City must recognize the expense related to these activities as the related liability is incurred. The expense and concurrent liability is calculated based upon the landfill capacity used to date. At the end of each year of operation, it has been necessary to measure the capacity used at the landfill. By using the change in capacity during the current year, a percentage of total capacity used is known. This percentage is then applied to the estimated cost to close the landfill and provide post-closure care for thirty years. The estimate of these costs may differ from the actual costs due to inflation, changes in technology, or changes in regulations.

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed in 2011. While monitoring and maintenance activities are taking place on the first phase area, true post closure care will not commence until both phases are closed. As of the end of 2021, the second phase landfill cell was completely full. A new cell has been opened and is currently in use. As of December 31, 2022, the City had sufficient funds set aside to fund the low bid of \$2,151,173 for construction costs of the second phase closure and \$2,194,500 in new phase closure infrastructure and provide approximately 36% of the post-closure care. Cash and investments of \$6,458,129 or 64.43% of required reserves, have been accumulated. The post-closure care of the current landfill site is estimated to cost \$5,556,000 in current dollars. The additional \$3,565,244 in reserves necessary to complete the 30 years of post-closure care will be funded through operations.

The City's waste management software tracked 87,510 tons of waste accepted in 2022. The current year expense for the related use of available volume was \$383,894. The estimate of closure cost for 2022 was updated, which resulted in the recognition of an expense credit of (\$1,108,592). This was due to the construction bid for the second phase cell being much lower than the estimated projection.

Leases – The City has four leases for a pumper truck, a dozer, a compactor and an articulated truck. For more information on leases, see Note 6 to the financial statements.

Total OPEB Liability – As noted in the governmental activities section, the City reported an overall TOL of \$10,774,897. The TOL related to business type activities was \$1,284,569. The current portion of the TOL for business type activities was \$110,974.

Net Pension Liability – As per GASB 68 the City is required to report a proportionate share of the State's pension liability from the PERS 1, 2 and 3, and from LEOFF 1 and 2 State Pension Plans. PERS plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City's share of the Net Pension Liability for PERS 1 was \$5,517,195, of which \$2,565,704 was allocated to business-type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements.

Special Assessment Debt – The City has one LID with ongoing commitments. The City issued debt titled "2017 ULID bonds" in the Water and Sewer Funds to finance improvements related to Reata LID 197. The Water and Sewer Funds are fully obligated to repay the bonds. Current and delinquent assessments receivable in the Water and Sewer Funds are disclosed in Note 1 under the heading "Assessments".

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The following tables provide a comprehensive record of all long-term liabilities for business-type activities as of December 31, 2022:

SCHEDULE OF LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES								
REVENUE BONDS								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
2013 B Electric Revenue - Capital Improvement and Refunding	2.00%-5.00%	11/1/2042	19,455,000	14,830,000		665,000	14,165,000	690,000
2015 Electric Utility Revenue Bonds	2.00%-4.75%	11/1/2045	19,435,000	18,380,000		460,000	17,920,000	465,000
2018 Electric Revenue Improvement & Refunding	3.00%-5.00%	11/1/2047	19,800,000	15,320,000		1,865,000	13,455,000	430,000
2019A Electric Revenue Improvement & Refunding	4.00%-5.00%	11/1/2044	12,525,000	11,975,000		270,000	11,705,000	275,000
2019T (Taxable) Electric Revenue & Refunding	2.23%-3.21%	11/1/2033	3,145,000	3,145,000		-	3,145,000	260,000
2009-Water/Sewer Improvement & Refunding	2.50%-5.125%	12/1/2038	21,975,000	-		-	-	-
2012 Water Wastewater Improvement & Refunding	2.00%-4.00%	11/1/2034	7,540,000	5,170,000		345,000	4,825,000	360,000
2014 Waterworks Revenue & Refunding	2.00%-4.00%	11/1/2023	9,985,000	2,570,000		1,630,000	940,000	940,000
2017 Wasteworks Utility Revenue & Refunding Bonds	2.00%-5.00%	11/1/2042	12,455,000	12,110,000		265,000	11,845,000	280,000
2021 Electric Revenue Improvement Bond	3.00%-4.00%	11/1/2046	6,415,000	6,415,000			6,415,000	175,000
TOTAL REVENUE BONDED DEBT							84,415,000	3,875,000
GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	2.00%- 4.30%	12/1/2039	4,460,000	3,325,000		125,000	3,200,000	130,000
2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1.125%-4.00%	12/1/2037	1,200,000	1,200,000		-	1,200,000	-
2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	0.38%-3.50%	12/1/2027	1,165,000	500,000		80,000	420,000	85,000
TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES							4,820,000	215,000

City of Richland, Washington
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OTHER BUSINESS-TYPE LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2022	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/22	DUE WITHIN ONE YEAR
PWTF #PW-03-691-020 Water Main Replacement	0.50%	7/1/2023	8,755,000	1,013,323		506,661	506,662	506,661
DWSRF Loan #02-65102-039 Rchld Wellfield Disinfection	1.00%	10/1/2023	1,984,802	232,261		116,130	116,131	116,130
DWSRF Loan #02-65102-040 Rchld Wellfield Capacity	1.00%	10/1/2023	978,117	115,073		57,536	57,537	57,536
DWSRF Loan #03-65103-045 Badger Mountain Pump Station	1.50%	10/1/2024	580,000	108,750		36,250	72,500	36,250
DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	1.50%	10/1/2029	3,030,000	1,284,126		160,516	1,123,610	160,516
DWSR Loan #DWL23484	1.00%	10/1/2042	60,993	663,020	110,971	36,857	737,134	36,857
Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	4.30%	3/1/2024	145,776	26,513		10,268	16,245	10,714
Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	2.90%	5/27/2031	1,538,338	846,979		78,584	768,396	80,893
Landfill Compactor Lease (Q000106371-7)	4.95%	5/17/2023	312,046	390,368		64,259	326,109	66,109
Landfill Dozer Lease	3.85%	4/20/2026	229,405	163,019		30,188	132,831	31,350
Landfill Articulated Truck Lease	3.85%	4/20/2025	137,038	90,373		21,330	69,043	22,151
PC20-96103-049 Solid Waste Public Works Loan	1.58%	6/1/2039	34,560	3,789,474		210,526	3,578,948	210,526
Liability for Landfill Closure			N/A	9,006,384	-	724,698	8,281,686	-
Compensated Absences			N/A	2,297,848	2,157,938	1,955,709	2,500,077	1,250,039
Net Pension Liability- State PERS/LEOFF Plans			N/A	1,287,139	1,278,565		2,565,704	-
Total OPEB Liability - City Post Emp Healthcare			N/A	1,896,850		612,281	1,284,569	110,974
Lease #202415000 - 2017 Pierce Enforcer Pumper Truck			632,812	134,380		134,380	0	-
TOTAL OTHER BUSINESS-TYPE LIABILITIES							22,137,182	2,696,706
TOTAL BUSINESS-TYPE LIABILITIES							111,372,182	6,786,706

In the Statement of Net Position for Business-Type Activities - Enterprise Funds, the long-term portion of the bonds payable are reported net of unamortized discounts and premiums. Bond issuance costs are reported as expense in the year paid. For the year ended December 31, 2022, the amount reported in the Statement of Net Position as bonds payable is as follows:

BONDED DEBT	ELECTRIC	WATER	SEWER	STORM-WATER	*GOLF COURSE	*BROADBAND	TOTAL
Current Portion	\$ 2,295,000	\$ 829,578	\$ 720,423	\$ 30,000	\$ 130,000	\$ 85,000	\$ 4,090,000
Long-Term Portion	\$ 64,510,000	\$ 9,834,157	\$ 5,560,844	\$ 635,000	\$ 3,070,000	\$ 1,535,000	\$ 85,145,000
Net unamortized premiums and discounts	\$ 7,195,706	\$ 1,116,934	\$ 730,001	\$ 84,550	\$ 44,676	\$ (22,224)	\$ 9,149,643
Net Long-Term Portion	\$ 71,705,706	\$ 10,951,091	\$ 6,290,845	\$ 719,550	\$ 3,114,676	\$ 1,512,776	\$ 94,294,643
Total Reported Liability	\$ 74,000,706	\$ 11,780,668	\$ 7,011,267	\$ 749,550	\$ 3,244,676	\$ 1,597,776	\$ 98,384,643

*Councilmanic General Obligation Bonds were issued for the Golf Course and Broadband funds.

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2022 for business-type debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR BUSINESS TYPE ACTIVITIES			
YEAR ENDING	PRINCIPAL	INTEREST	TOTAL
2023	\$ 5,425,694	\$ 3,979,775	\$ 9,405,469
2024	\$ 4,323,511	\$ 3,795,410	\$ 8,118,921
2025	\$ 4,156,317	\$ 3,647,511	\$ 7,803,828
2026	\$ 4,301,248	\$ 3,485,834	\$ 7,787,082
2027	\$ 4,418,729	\$ 3,308,384	\$ 7,727,113
2028-2032	\$ 24,037,393	\$ 13,774,475	\$ 37,811,868
2033-2037	\$ 24,966,915	\$ 8,664,476	\$ 33,631,391
2038-2042	\$ 17,410,336	\$ 3,929,006	\$ 21,339,342
2043-2047	\$ 7,700,000	\$ 742,594	\$ 8,442,594
TOTAL	\$ 96,740,143	\$ 45,327,465	\$142,067,607

The following table presents debt coverage ratios for parity debt in the water, sewer, and stormwater funds. As of December 31, 2022, bonds on parity with 2017 Waterworks Utility and Revenue Bonds include 2012 Water Wastewater Improvement & Refunding Bonds and 2014 Waterworks Revenue & Refunding Bonds.

Table for Waterworks (Water, Sewer, Stormwater) Parity Debt											
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross Revenue	29,306,771	30,565,077	30,744,572	30,133,044	29,452,312	28,016,663	27,676,910	26,871,768	26,116,348	25,341,395	24,420,238
Less Operating Expenses	17,884,985	16,276,780	14,297,040	13,442,659	13,746,283	13,344,677	15,268,317	13,517,407	13,224,346	13,159,683	12,545,694
Net Amount Available For Debt Service	11,421,787	14,288,297	16,447,532	16,690,385	15,706,029	14,671,986	12,408,593	13,354,361	12,892,002	12,181,712	11,874,544
Total Annual Debt Service	3,084,275	4,549,675	4,553,150	4,645,100	4,664,300	4,320,347	4,185,638	4,188,047	3,332,256	4,439,800	4,449,689
Water/Sewer Debt Coverage	3.70	3.14	3.61	3.59	3.37	3.40	2.96	3.19	3.87	2.74	2.67

Disclosures Applicable to Both Governmental-Type and Business-Type Activities

Arbitrage Compliance - The bonds are subject to the rebate requirement imposed by the Internal Revenue Code of 1986, Section 148(f), and therefore the City, in the manner and to the extent required by that Section, will calculate and rebate to the United States any investment earnings on gross proceeds of the bonds, which are in excess of the amounts that would have been earned if those gross proceeds had been invested at the yield on the bonds, plus any income attributable to such excess earnings. Investment earnings on amounts held in the principal and interest account will not be taken into account for this purpose at any time, even if the amount earned is \$100,000 or more in a bond year, because the bonds bear interest at fixed rates (i.e. rates that do not vary during the term of the bonds) and have an average maturity of at least 5 years. If the City for any reason fails to comply with the rebate requirement to the extent applicable to the bonds, the City, to the extent permitted and required by Section 148(f)(7) of the Internal Revenue Code, will pay any penalty that may be necessary to preserve the tax exemption for interest on the bonds.

Compensated Absences - City employees are credited on a bi-weekly basis with sick and vacation leave at rates established by City ordinance or union agreement. In compliance with Washington State Initiative 1433, as of January 1, 2018, the City provides paid sick leave to employees. This mandatory State requirement allows

employees to request paid sick leave and seek medical diagnosis and treatment for a non-work related injury or illness.

Effective January 1, 2001, Paid Time-Off (PTO) was provided to unaffiliated City employees in lieu of vacation and short-term sick. All accumulated vacation leave balances were converted to PTO. In addition to PTO, an extended sick leave bank was created. Employees were given a one time, irrevocable opportunity to elect one of three conversion options for their accumulated sick leave. The first was to convert it to cash at twenty-five percent of its value, not to exceed \$5,000. The second was to convert all of their sick leave to PTO at twenty-five percent of its hourly value. The third option was to “grandfather” all accumulated sick leave and keep it in a separate leave account. Employees who retire or terminate their employment with the City that have a balance in their “grandfathered” sick leave account will be paid twenty-five percent of its value, not to exceed \$5,000 for retirees or \$2,000 for terminations. Because of the many variables governing the cash payment of grandfathered sick leave, the City accrues the benefit annually for scheduled retirees.

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS 1 employees and 800 hours for PERS 2 and 3 employees, is payable upon resignation, retirement or death. On December 31, 2022, the City’s accrued vacation, PTO and sick leave amounted to \$6,603,984. This amount includes \$457,338 in internal service funds that are allocated within the business-type activities.

In governmental activities, Claims and Judgements are liquidated by the Workers Compensation, Healthcare/Benefits Plan, Unemployment and Post Employment Healthcare Plan Funds. Compensated absences, Pension and OPEB liabilities are liquidated by the General, Industrial Development, Public Safety Sales Tax, BCES Operations, HOME and City Streets funds. The Electric, Water, Sewer, Solid Waste, Storm-water, Medical Services, Equipment Maintenance and Public Works Administration and Engineering funds liquidate Compensated absences, Pension and OPEB liabilities for the business-type activities.

NOTE 5. FINANCIAL GUARANTEES AND PLEDGED REVENUES

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the PFD’s outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a “Contingent Loan Agreement”, dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD’s pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2022, the outstanding principal of the PFD’s 2015 General Obligation refunding bonds is \$2,930,000.

In addition to the Contingent Loan Agreement, the City pledged \$125,000 annually from its lodging tax revenues in support of debt service on the aforementioned PFD bonds. This amount is transferred annually until the bonds are retired in 2028. In 2022, the \$125,000 lodging tax pledged toward the bonds, as a percentage of total lodging tax revenues and as a percentage of the PFD’s annual debt service, was 8.0% and 24.8%, respectively.

NOTE 6. LEASES

Lessee Activities. The City of Richland has several arrangements where they are lessee for various noncancelable leases of land, buildings, office equipment, and vehicles.

For leases that meet the capitalization threshold at lease commencement, the city recognizes a lease liability and an intangible right-to-use lease asset on the Statement of Net Position in the government-wide and proprietary and trust fund financial statements.

For governmental fund financial reporting, the initial value of the lease liability is reported as other financing sources with a corresponding capital outlay at lease commencement.

The lease liability is initially measured 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 amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City of Richland is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

The expected payments are discounted using the City of Richland's incremental borrowing rate. It was based on the rate of interest the city would be charged if it were to borrow an amount equal to the lease payments for a similar asset type and under similar terms at the commencement or remeasurement date. The incremental borrowing rate is used as the discount rate for lease contracts where the City is the lessee.

The lease terms include the noncancelable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor have a unilateral option to terminate (or if both parties must agree to extend) are excluded from the lease term. Certain payments are evaluated to determine if they should be included in the measurement of the lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

The city monitors changes in circumstances that may require remeasurement of a lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured, and a corresponding adjustment is made to the lease asset. For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, an expense/expenditure is recognized based on the provisions of the lease contract.

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The following is a summary of governmental right-to-use lease asset activity for the year ended December 31, 2022.

Governmental Activities	Balances December 31, 2021	Additions	Deletions/ Adjustments	Balances December 31, 2022
Office Equipment	\$ 19,329	\$ -	\$ -	\$ 19,329
Accumulated Amortization	\$ -	\$ -	\$ (9,664)	\$ (9,664)
Net equipment and other lease Assets	<u>\$ 19,329</u>			<u>\$ 9,665</u>
Total Governmental Activities Lease Assets, Net	<u>\$ 19,329</u>			<u>\$ 9,665</u>

The following is a summary of business-type right-to-use lease asset activity for the year ending on December 31, 2022.

Business-Type Activities	Balances December 31, 2021	Additions	Deletions/ Adjustments	Balances December 31, 2022
Vehicle lease Assets	\$ 778,141	\$ -	\$ -	\$ 778,141
Accumulated Amortization	\$ -	\$ -	\$ (250,157)	\$ (250,157)
Net equipment and other lease Assets	<u>\$ 778,141</u>			<u>\$ 527,984</u>
Total Business-Type Activities Lease Assets, Net	<u>\$ 778,141</u>			<u>\$ 527,984</u>

The following schedule presents future annual lease payments for governmental and business-type activities as of December 31, 2022.

Right-to-Use Lease Agreements	Government-Type Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By fiscal Year:						
2023	\$ 9,664	\$ -	\$ 379,610	\$ 36,432	\$ 389,274	\$ 36,432
2024	\$ -	\$ -	\$ 55,561	\$ 19,572	\$ 55,561	\$ 19,572
2025	\$ -	\$ -	\$ 57,700	\$ 17,433	\$ 57,700	\$ 17,433
2026	\$ -	\$ -	\$ 35,113	\$ 6,742	\$ 35,113	\$ 6,742
Total	<u>\$ 9,664</u>	<u>\$ -</u>	<u>\$ 527,984</u>	<u>\$ 80,180</u>	<u>\$ 537,648</u>	<u>\$ 80,180</u>

Variable lease payments, other than those that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. During the fiscal year ending December 31, 2022, the City of Richland, recognized \$60,735 for variable and other lease payments not included in the measurement of the lease liability.

Lessor Activities. The City of Richland has several arrangements where they are lessor for various noncancelable leases of land, buildings, and other assets such as communication towers.

For leases that meet the capitalization threshold at lease commencement, the city recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position in the government-wide and proprietary and trust fund financial statements and on the governmental funds Balance Sheet.

The lease receivable is initially measured 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 made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Generally, the city's incremental borrowing rate for leases is used as the discount rate for lease receivables. The City of Richland's incremental borrowing rate is used as the discount rate for lease contracts where the contract does not provide an implicit rate.

The lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor have a unilateral option to terminate (or if both parties agree to extend) are excluded from the lease term.

The city monitors changes in circumstances that may require remeasurement of a lease receivable. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflow of resources.

For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract.

During the fiscal year ending December 31, 2022, the amount of recognized lease revenue and lease interest was \$2.3 million and \$226,189, respectively.

Variable lease receipts, other than those that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease receivable. During the fiscal year ending December 31, 2022, the City of Richland, recognized revenue of \$212,571 for variable lease payments not included in the measurement of the lease receivable. The City of Richland does not use leases to fund its principal ongoing operations.

NOTE 7. INTERFUND TRANSFERS

The following table provides a summary of interfund transfers for the year ended December 31, 2022.

Transferred From...	Transferred To...								
	General Fund	Streets Construction Fund (301)	General Governmental Construction Fund (385)	Industrial Development Fund (212)	Other Governmental Funds (101, 216, 217, 319, 380)	Major Enterprise Funds (403)	Other Enterprise Funds (407 & 408)	Internal Service Funds (503)	Total
General Fund		\$ 4,090,000	\$ 416,679		\$ 14,848,097		\$ 1,072,876	\$ 1,117,302	\$ 21,544,954
Major Governmental Funds	\$ 608,000	\$ 677,017			\$ 37,900	\$ (3,945)			\$ 1,318,972
Other Governmental Funds	\$ 1,884,312	\$ 3,851,150		\$ 33,754	\$ 2,066,348				\$ 7,835,564
Major Enterprise Funds							\$ 55,000		\$ 55,000
Other Enterprise Funds					\$ 12,478			\$ 903,644	\$ 916,122
Total	\$ 2,492,312	\$ 8,618,167	\$ 416,679	\$ 33,754	\$ 16,964,823	\$ (3,945)	\$ 1,127,876	\$ 2,020,946	\$ 31,670,612

In 2022, the City's enterprise operations paid a total of \$11,040,898.42 in Occupation Taxes to the City's General and Streets Funds. In accordance with GASB Statement No. 34, the expense is reflected as an operating expense in the Fund financial statements, while payments of this nature are to be reported on the City's Government-wide Statement of Activities as transfers. Therefore, the amount of transfers reported on the General and Street Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are different by this amount.

The following tables provide additional information on transfers, by purpose, fund and activity type.

Purpose: Reimbursement of expenses accounted for in one fund with revenues accounted for in another fund and/or required contributions.					
Transferred From...		Transferred To...			
			Other Governmental Funds	Other Enterprise Funds	Total
			Streets	Medical Services	
General Fund			\$ 1,014,000	\$ 550,000	\$ 1,564,000
Streets Construction Fund			\$ 37,900		\$ 37,900
Industrial Development Fund		\$ 608,000			\$ 608,000
Other Governmental Funds	Transportation Benefit District		\$ 102,377		\$ 102,377
	Criminal Justice	\$ 75,354			\$ 75,354
	Hotel/Motel Tax	\$ 178,321			\$ 178,321
Total		\$ 861,675	\$ 1,154,277	\$ 550,000	\$ 2,565,952

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Purpose: Debt service and/or contributions toward capital and other improvements													
Transferred From...	Transferred To...												
	Major Governmental Funds				Other Governmental Funds				Major Enterprise Funds	Other Enterprise Funds		Internal Service Funds	Total
	General Fund	Street Construction	General Govt Construction	Industrial Development	LTGO Bonds Debt Service	Park Project Construction	Fire Station 74 Debt Service	Fire Station 76 Construction	WasteWater	Broadband	Golf Course	Equipment Replacement	
General Fund		\$ 4,090,000	\$ 416,679		\$ 645,766	\$ 4,470,000	\$ 674,331	\$ 8,044,000		\$ 55,000	\$ 467,876	\$ 1,117,302	\$ 19,980,954
Industrial Development Fund		\$ 677,017							\$ (3,945)				\$ 673,072
Other Governmental Funds	Transportation Benefit District	\$ 950,000											\$ 950,000
	Park Reserve	\$ 805,637			\$ 36,847	\$ 775,000							\$ 1,617,484
	CDBG		\$ 103,821										\$ 103,821
	Capital Improvement	\$ 825,000	\$ 2,797,329		\$ 33,754	\$ 582,124	\$ 570,000						\$ 4,808,207
Electric Fund										\$ 30,000			\$ 30,000
Water Fund										\$ 20,000			\$ 20,000
Sewer Fund										\$ 5,000			\$ 5,000
Other Enterprise Funds	Solid Waste											\$ 295,000	\$ 295,000
	Ambulance											\$ 608,644	\$ 608,644
	Broadband				\$ 12,478								\$ 12,478
Total	\$ 1,630,637	\$ 8,618,167	\$ 416,679	\$ 33,754	\$ 1,277,215	\$ 5,815,000	\$ 674,331	\$ 8,044,000	\$ (3,945)	\$ 110,000	\$ 467,876	\$ 2,020,946	\$ 29,104,660

NOTE 8. RISK MANAGEMENT

The City is exposed to various types of risks (e.g. torts, thefts, damages, injuries to employees, natural disasters, risks related to providing employee and post-employment benefits, workers' compensation, unemployment on a self-insurance basis, etc.). Detailed information regarding those risks and how they are handled are disclosed below.

Washington Cities Insurance Authority (WCIA)

The City of Richland 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 [1]. 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 boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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 of Richland paid \$1,931,576 in premiums for coverage in 2022.

Employee Benefits, Workers' Compensation, and Unemployment

Medical, Dental and Vision Insurance Benefits - The City offers comprehensive medical coverage on a self-insured basis. Reinsurance for medical benefits is provided by QBE Insurance Corporation. Dental benefits are entirely self-insured. Vision coverage is a fully funded program. Both the City and the employee share in the premium cost of medical and dental benefits. Medical and dental benefits are administered by Cigna Health and Life Insurance Company. Stop Loss coverage is provided by QBE Insurance Corporation. The Stop Loss premium was \$791,357 in 2022, of which \$52,116 was allocated to retiree coverage in the Post-employment Healthcare Plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in an internal service fund, the Employee Benefits Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The basis for estimating liabilities for unpaid claims and administrative expense is based on an average of the prior 24 months of fund expense. The fund maintains a reserve for estimated claims outstanding at year end and the related administrative expense. The reserve was decreased by \$300,700 in 2022 and is based on an estimated sixteen weeks of fund expense.

As of December 31, 2022, the estimated claims reserve has \$2,173,700 set aside for estimated claims liabilities. Settlements have not exceeded available resources for these benefits in the previous three years.

The following is a reconciliation of changes in the aggregate liabilities for healthcare claims for the fiscal years 2020 through 2022:

EMPLOYEE HEALTHCARE BENEFITS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2022	2,474,400	7,433,242	(300,700)	7,132,542	2,173,700
2021	2,611,200	8,484,126	(136,800)	8,347,326	2,474,400
2020	2,240,000	8,858,502	371,200	9,229,702	2,611,200

Beginning February 1, 2012, all City employees that are members of the International Association of Fire Fighters (IAFF) Rank & File and IAFF Battalion Chiefs and dependents participate in the LEOFF Trust for *Medical, Rx and Vision coverage*. The Trust is a self-funded high deductible plan. The LEOFF Trust plan has tiered rates depending upon the family dynamics. The City issues the premium payments directly to the Trust and contributes the equivalent of the budgeted premium for the self-insured plan and Fire employees make a contribution based on Employee, or Employee plus dependent, status. All IAFF Rank & File and IAFF Battalion Chiefs and dependents also participate in a Health Reimbursement Account (HRA) with A.W. Rehn & Associates. The City contributes \$187.50 monthly for employee only and \$375.00 monthly for employee and dependents (\$2,250 and \$4,500 annually). This account is for unreimbursed health expenses as needed by employees and whatever is left over at the end of the claim year is sent to an HRA/ VEBA account for that IAFF member.

Between the LEOFF Trust premium and the HRA plan, the City's contribution does not exceed the amount that would be provided if the IAFF member was still covered under the City's *Medical, Rx & Vision* benefits. The City maintains the self-insured *dental* coverage for all IAFF Rank & File and Battalion Chiefs, and they are included in the EAP program which provides up to five free counseling sessions annually for all employees.

Workers' Compensation and Unemployment - The City is self-insured for worker injury claims. Claims exceeding the per-occurrence self-insured retention of \$500,000; \$750,000 for any Police and Fire injury claims; and \$1,500,000 for any Firefighter injured on a Wildland fire, are transferred to our reinsurer, Midwest Employers Casualty Company.

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$183,386 and \$20,929, respectively set aside in reserves for potential incurred but not reported claims.

The following tables reflect a reconciliation of changes in the aggregate liabilities for claims for the fiscal years 2020 through 2022:

WORKERS COMPENSATION CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2022	133,056	918,887	50,330	918,887	183,386
2021	52,100	670,247	80,956	670,247	133,056
2020	78,852	385,832	(26,752)	385,832	52,100

UNEMPLOYMENT CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2022	40,078	63,742	(19,149)	63,742	20,929
2021	12,969	55,474	27,109	55,474	40,078
2020	26,825	51,877	(13,856)	51,877	12,969

NOTE 9. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ (10,774,897)
Deferred Outflows of Resources	563,892
Deferred Inflows of Resources	(3,381,316)
OPEB Expenses/Expenditures	(3,152,653)

Post-Employment Healthcare Plan- Citywide

Plan Description

The City of Richland administers a single-employer defined benefit post-employment healthcare plan (“the Plan”). The Plan provides healthcare insurance for eligible retirees, their spouses, and eligible children through the City’s health insurance plan, which covers retired members. The Plan provides healthcare benefits and prescription coverage. The Plan does not cover dental or vision benefits, although retirees may purchase these benefits through COBRA. The City implemented the Plan on January 1, 2003, in accordance with recommendations from the Benefits and Services Focus Group appointed by the City. The City offered all bargaining units an irrevocable and one time opportunity to participate in the Post-Employment Health Insurance Program. In lieu of participation in this benefit program, the International Association of Fire Fighters (IAFF) Local 1052 and Southeast Washington Tele Communicators Guild (SEWTG) elected to take additional wages. All remaining bargaining units and unaffiliated employees opted to participate in the Plan.

Effective December 31, 2012, the City closed the Plan to new participants. The Plan does not issue a stand-alone financial report, and the activity of the Plan is included in the City's financial statements available on the City's website at <https://www.ci.richland.wa.us/departments/finance/financial-reports>.

Benefits Provided

As a self-insurer, the City establishes a monthly premium rate for insurance benefits each budget year. Eligible retirees may continue to receive insurance benefits by contributing 50% of the cost of the premium. Through December 31, 2012, the program provided the same level of healthcare benefits to retirees as the active group plan, however effective January 1, 2013, new retirees are no longer eligible for the same PPO plan as current employees but will be enrolled in a new Comprehensive Plan that offers a tiered rate and 80/20 coverage. Employees will continue to pay 50% of the applicable premium amount. Employees that retired on or before December 31, 2012 are grandfathered under the existing PPO plan but have the option to change to the new plan, which offers single or family coverage and subsequently, reduced premiums for single coverage. Employees who leave the City and do not elect to participate in the plan immediately following termination are not eligible for future benefits.

Employees Covered by Benefit Terms

At December 31, 2022 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	36
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	60
Total	96

Changes to the Plan

The OPEB plan was closed to new participants on December 31, 2012. In an effort to reduce the size and scope of the plan, the City offered active participants an opportunity to opt out of the existing plan and receive a contribution to a Retiree Health Savings (RHS) account equal to 1% of annual salary for each year in the plan since 2003. The City will continue to fund the RHS accounts with a 1% salary contribution annually and the employee is required to contribute ½% of annual salary to the plan. Effective January 1, 2013, all eligible new employees participate in the RHS plan, funded by a 1% salary contribution from both the City and the employee. Employees that remain in the OPEB plan are required to contribute 1% of their salary to a Retirement Health Savings plan. The efforts to reduce plan participants have been effective and the number of active participants since 2013 has been reduced by seventy four percent. The following table reflects the change in active plan participants, retirees and beneficiaries, and the amount of opt out payments made from reserves in the plan.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Active Participants	293	219	146	131	123	114	105	88	77	60
Retirees & Beneficiaries	91	84	82	86	78	57	62	53	57	36
Opt out Payments	\$285,469	\$307,660	\$274,338	\$228,621	-	-	-	-	-	-

In addition to the employee applicable (½% or 1%) contribution to the Retirement Health Savings plan, a portion of the employee's PTO may be converted to cash and contributed to their Retirement Health Savings plan on an annual basis. The PTO buyout is mandatory if the employee has over 400 hours of PTO available. The Finance department processes the buyout in the second payroll in January. The following table details the contributions to the plan for the City and active employees, including the PTO buy out component.

Plan Participants	Employee Contribution (deposited to RHS plan)	City Contribution ¹⁻ Contributed to Fund 522 ²⁻ Contributed to employee RHS Plan	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 400-599 Hours	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 600-800 Hours
¹ Existing Emp - OPEB Plan	1% Salary	\$14,400 Annual	20 Hours	40 Hours
² New Employee in RHS	1% Salary	1% Salary	20 Hours	40 Hours
² Existing Employee Opted out of OPEB Plan to RHS	1/2% Salary	1% Salary	20 Hours	40 Hours

Contributions

The Post-Employment Health Insurance Program is funded on a pay-as-you-go basis. The City pays benefits as they come due. There are no assets accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. Contributions for the reporting period were \$762,967 (including implicit subsidy credit).

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Total OPEB Liability

The City's total OPEB liability was valued as of December 31, 2022, and was used to calculate the total OPEB liability measured as of December 31, 2022. The following is a summary of changes in the Total OPEB liability for fiscal year 2022:

Changes in the Total OPEB Liability	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2021	\$9,009,017
Changes for the year:	
Service Cost	342,624
Interest	165,051
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(2,500,483)
Changes of Assumptions	(725,932)
Benefit Payments	(360,887)
Implicit Rate Subsidy Fulfilled	(402,080)
Other Changes	-
Net Changes	(3,481,707)
Balance as of Report Date December 31, 2022	<u>\$5,527,310</u>

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Discount Rate	1.84%	4.05%
Inflation	2.75%	5.00%
Healthcare Cost Trend Rates		
Pre-Medicare	6.50%	7.40% *
Salary Increases	3.50%	3.50%
Mortality Rates	Based on SOA tables	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 50% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

**Trending down to 4.15% over 54 years. Applies to calendar years.*

Discount Rate

The discount rate used to measure the total OPEB liability is 4.05%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents City's total OPEB liability calculated using the current discount rate (4.05%) as well as what the TOL would be if it were calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	3.05%	4.05%	5.05%
Total OPEB Liability (Asset)	\$5,832,711	\$5,527,310	\$5,235,055
Increase (Decrease)	305,401		(292,255)
% Change	5.5%		-5.3%

Sensitivity of the total OPEB liability changes in the healthcare cost trend rates

The healthcare cost trend for this valuation started at 7.40% and decreased to 4.15% over 54 years. The following table presents City's total OPEB liability calculated using the current healthcare cost trend rate (6.50%) as well as what the TOL would be if it were calculated using healthcare trend rates that are one percentage point lower (6.40%) or one percentage point higher (8.40%) than current trend rate.

	1% Decrease	Trend Rate	1% Increase
	6.40%	7.40%	8.40%
Total OPEB Liability (Asset)	\$5,135,413	\$5,527,310	\$5,965,572
Increase (Decrease)	(391,897)		438,262
% Change	-7.1%		7.9%

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

For the report year ended December 31, 2022, the City recognized an OPEB expense of \$11,663. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Actual and Expected Experience	\$74,829	\$(2,533,481)
Changes of Assumptions	489,063	(847,835)
Total	\$563,892	\$(3,381,316)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Report Year Ending December 31:</u>	<u>Amount</u>
2023	\$(496,012)
2024	(540,750)
2025	(635,781)
2026	(560,482)
2027	(531,516)
Remaining	(52,883)

Current Liability

	<u>Amount</u>
Current OPEB Liability	\$477,503
Non-Current OPEB Liability	5,049,807
Total OPEB Liability	<u><u>\$5,527,310</u></u>

Expected Average Service Lives (EARSL)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 6.1 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

Post-Employment Healthcare Plans – LEOFF 1 Fire and LEOFF 1 Police Plans

Plan Description

The City of Richland provides postemployment health care benefits via two single-employer defined benefit OPEB plans (the Plans) in accordance with State statute for retired police officers and firefighters who are eligible under the Law Enforcement Officers' and Firefighters (LEOFF 1) plan retirement system. The LEOFF 1 OPEB plans for Police and Fire are administered by the Police and Fire Pension plans discussed in more detail in Note 10. The Plans do not issue stand-alone financial reports, and the activity of the Plans is included in the City's financial statements available on the City's website at <https://www.ci.richland.wa.us/departments/finance/financial-reports>.

Benefits Provided

As mandated by RCW 41.26, RCW 41.18 and RCW 41.20, the City reimburses 100% of allowable healthcare costs for LEOFF 1 retirees. All firefighters and law enforcement officers employed between 3/1/70 and 10/31/77 are members of a single employer defined benefit OPEB plan and are provided lifetime insurance coverage

for medical, hospital and nursing home care costs. These benefits are accounted for in Police and Fire Pension and Relief Funds and are considered, in substance, a postemployment healthcare plan administered by, but not part of, the Police and Fire Pension Plans. Extraordinary health and dental expenses, as determined by the Pension Board, require prior approval. Insurance policies for this benefit are underwritten as part of the City's overall insurance program. The LEOFF 1 OPEB plans are closed to new entrants.

Pension Plan members who take service or disability retirements are eligible to have 100% of their medical expenses paid by the City. These expenses are reduced by amounts received or eligible to be received under worker's compensation, Medicare or insurance provided by another employer, and are paid at the discretion of the Local Disability Board. The Disability Board has authority to designate the provider of the services.

The City pays a monthly insurance premium to the Employee Health Care Fund for each retiree. The premium is less for Medicare age retirees, and the City reimburses retirees for the Medicare premiums. Medicare is the primary payer for retirees age 65 and over, and Cigna Administrators pays claims for retirees under age 65. The members' necessary hospital, medical, and nursing care expenses not payable by workers' compensation, Medicare, or insurance provided by another employer, are covered.

Employees Covered by Benefit Terms

At December 31, 2022 (the census date), the benefit terms covered the following employees:

Category	Fire Fighters	Police Officers
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	17	25
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active Employees	-	-
Total	17	25

Contributions

The City contributes an amount to the fund equal to the benefits paid. Contributions for the reporting period were \$107,982 for LEOFF 1 Fire and \$127,862 for LEOFF 1 Police (includes implicit subsidy credit).

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The OPEB plans are administered by the Fire and Police Pension Boards and, as with the pension plans, the Pension Boards have the authority to establish and amend plan policies as set forth by State statutes. The boards are comprised as follows: Firefighters' Pension Plan: Mayor or Mayor Pro Tem, City Clerk, Finance Director (the Treasurer) and two elected firefighters and one alternate; Police Relief and Pension Plan: Mayor, Mayor Pro Tem, City Clerk, Finance Director (the Treasurer) and three elected police officers. The elected board members can be active or retired and must be either participants in the plan or LEOFF II participants elected by participants in the plan.

Total OPEB Liability

The City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police was valued as of December 31, 2022, and was used to calculate the total OPEB liability measured as of December 31, 2022.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Discount Rate	1.84%	4.05%
Inflation	2.75%	5.00%
Healthcare Cost Trend Rates		
Pre-Medicare	6.50%	7.40% *
Medicare	5.40%	4.20%
Salary Increases	3.50%	3.50%
Mortality Rates	Based on SOA tables	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 0% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

** Trending down to 4.15% over 54 years. Applies to calendar years.*

Discount Rate

The discount rate used to measure the total OPEB liability was 4.05%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Basis of Accounting

The fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. The City's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2022.

Funding Policy

The City does not require retiree contributions. All fire and police pension funding is reported in the General Fund in the City's financial statements. These funds provide for both OPEB and pension benefits to LEOFF 1 employees. Contributions for the fire plan are derived from an annual property tax levy of up to \$ 0.2250 per \$1,000 of assessed property value. In addition, on an annual basis the State contributes 25% of taxes on fire insurance premiums per RCW 41.16.050. For the year ended December 31, 2022 the State contributed \$89,529. Contributions for the police plan are derived from contributions by the City's General Fund. The City contributes the cost of medical claims paid on behalf of members of both plans through the Employee Benefit Fund. Contributions are recognized when they are earned and become measurable.

Under current law, the LEOFF 1 OPEB plans need only receive enough revenue to fund the benefits on a "pay-as-you-go" basis. Employee contributions are not required. There is no legal level of reserves required and there are no long-term contracts for contributions to the plan.

The following tables show the changes in total OPEB liability during fiscal year 2022:

Changes in the Total OPEB Liability (LEOFF 1 Fire)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2021	\$3,920,705
Changes for the year:	
Service Cost	-
Interest	71,148
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(1,227,706)
Changes of Assumptions	(566,291)
Benefit Payments	(107,982)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(1,830,831)
Balance as of Report Date December 31, 2022	\$2,089,874

Changes in the Total OPEB Liability (LEOFF 1 Police)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2021	\$4,727,042
Changes for the year:	
Service Cost	-
Interest	85,802
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(726,784)
Changes of Assumptions	(800,485)
Benefit Payments	(127,862)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(1,569,329)
Balance as of Report Date December 31, 2022	\$3,157,713

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents Total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police calculated using the current discount rate (4.05%) as well as what the TOL would be if it were calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate.

LEOFF 1 Fire	1% Decrease 3.05%	Discount Rate 4.05%	1% Increase 5.05%
Total OPEB Liability (Asset)	\$2,288,791	\$2,089,874	\$1,918,657
Increase (Decrease)	198,917		(171,217)
% Change	9.5%		-8.2%
LEOFF 1 Police	1% Decrease 3.05%	Discount Rate 4.05%	1% Increase 5.05%
Total OPEB Liability (Asset)	\$3,439,739	\$3,157,713	\$2,912,457
Increase (Decrease)	282,026		(245,256)
% Change	8.9%		-7.8%

Sensitivity of the total OPEB liability changes in the healthcare cost trend rates

The healthcare cost trend for this valuation started at 7.40% and decreased to 4.15% over 54 years. The following table presents Total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police calculated using the current healthcare cost trend rate (7.40%) as well as what the TOL would be if it were calculated using healthcare trend rates that are one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate.

LEOFF 1 Fire	1% Decrease	Trend Rate	1% Increase
	6.40%	7.40%	8.40%
Total OPEB Liability (Asset)	\$1,926,755	\$2,089,874	\$2,275,348
Increase (Decrease)	(163,119)		185,474
% Change	-7.8%		8.9%
 LEOFF 1 Police	 1% Decrease	 Trend Rate	 1% Increase
	6.40%	7.40%	8.40%
Total OPEB Liability (Asset)	\$2,924,827	\$3,157,713	\$3,419,791
Increase (Decrease)	(232,886)		262,078
% Change	-7.4%		8.3%

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB for LEOFF 1 Fire and Police:

For the report year ended December 31, 2022, the LEOFF 1 Fire and LEOFF 1 Police recognized OPEB expense of \$(1,722,849) and \$(1,441,467) respectively. On December 31, 2022, the LEOFF 1 Fire and LEOFF 1 Police reported \$0 deferred outflows of resources related to OPEB and \$0 deferred inflows of resources related to OPEB.

Current Liability

	LEOFF 1 Fire	LEOFF 1 Police
Current OPEB Liability	\$160,386	\$244,731
Non-Current OPEB Liability	1,929,488	2,912,982
Total OPEB Liability	\$2,089,874	\$3,157,713

Expected Average Service Lives (EARS�)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARS�) for the current period is 0.0 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARS� is less than 1 year.

NOTE 10. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68 - Accounting and Financial Reporting for Pensions and GASB Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$(8,619,074)
Pension assets	\$25,270,883
Deferred outflows of resources	\$16,290,807
Deferred inflows of resources	\$(17,064,991)
Pension expense/expenditures	\$(74,914)

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

DRS ACFR may also 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 1

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 – PERS 1 - The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component 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 2 and 3

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 – PERS 2/3 - 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	Employee
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%
September - 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 \$1,182,229 to PERS Plan 1 and \$2,003,792 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 1

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

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

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

Contributions – LEOFF 1 - Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF 2

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 nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

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

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%

The City's actual contributions to the plan were \$930,560 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 \$595,787.

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

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

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

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (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 table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	20.00%	1.5%
Tangible Assets	7.00%	4.7%
Real Estate	18.00%	5.4%
Global Equity	32.00%	5.9%
Private Equity	23.00%	8.9%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The following table presents the City's proportionate share of the net pension liability calculated using the current discount rate of (7.0%), 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 one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

Plan	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 7,370,897	\$ 5,517,195	\$ 3,899,348
PERS 2/3	11,268,387	(9,568,692)	(26,687,670)
	(3,179,969)	(3,628,709)	(4,017,837)
LEOFF 1			
LEOFF 2	(555,971)	(12,073,482)	(21,499,579)

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 a total pension liability of \$5,517,195 and a total pension asset of (\$25,270,884) for its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability (Asset)
PERS 1	\$ 5,517,195
PERS 2/3	(9,568,692)
LEOFF 1	(3,628,709)
LEOFF 2	(12,073,482)

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

Proportionate Share	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (3,628,709)	\$ (12,073,482)
State's proportionate share of the net pension asset associated with the employer	(24,544,500)	(7,820,939)
Total	(28,173,209)	(19,894,421)

At June 30, 2022, the City's proportionate share of the collective net pension liabilities was as follows:

Plans	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.188313%	0.198149%	0.009836%
PERS 2/3	0.241933%	0.258001%	0.016068%
LEOFF 1	0.123781%	0.126497%	0.002716%
LEOFF 2	0.402318%	0.444254%	0.041936%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data. In fiscal year 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:

Plan	Pension Expense
PERS 1	\$ 2,794,081
PERS 2/3	(3,321,490)
LEOFF 1	(231,060)
LEOFF 2	1,950,365
Total	1,191,895

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 PLAN 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(914,361)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	602,663	-
TOTAL	602,663	(914,361)

PERS PLAN 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,370,898	\$ (216,611)
Net difference between projected and actual investment earnings on pension plan investments	-	(7,074,205)
Changes of assumptions	5,333,225	(1,396,429)
Changes in proportion and differences between contributions and proportionate share of contributions	48,740	(658,456)
Contributions subsequent to the measurement date	1,010,250	-
TOTAL	8,763,113	(9,345,701)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(453,095)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(453,095)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,868,859	\$ (112,021)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,042,665)
Changes of assumptions	3,058,554	(1,051,270)
Changes in proportion and differences between contributions and proportionate share of contributions	525,219	(1,145,879)
Contributions subsequent to the measurement date	472,399	-
TOTAL	6,925,031	(6,351,835)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,239,757	\$ (328,632)
Net difference between projected and actual investment earnings on pension plan investments	-	(12,484,326)
Changes of assumptions	8,391,779	(2,447,699)
Changes in proportion and differences between contributions and proportionate share of contributions	573,959	(1,804,335)
Contributions subsequent to the measurement date	2,085,312	-
TOTAL	16,290,807	(17,064,992)

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 1	LEOFF 2
2023	(386,939)	\$ (2,354,620)	\$ (191,899)	\$ (1,323,520)
2024	(351,440)	(2,061,478)	(173,753)	(1,154,439)
2025	(440,871)	(2,459,827)	(217,257)	(1,518,553)
2026	264,889	3,126,849	129,814	1,689,942
2027		1,066,300		440,221
Thereafter		1,089,938		1,967,147
Total	(914,361)	(1,592,838)	(453,095)	100,797

Firefighter's Pension Plan

Plan Description

The City administers a single-employer defined-benefit post-employment pension plan for firefighters hired prior to 1970, the Firefighter's Pension Plan (FPP). Dependents are eligible to enroll, and benefits continue to surviving spouses. The FPP is not administered through a trust and for this reason was reclassified from a fiduciary fund to the General Fund in 2018 per GASB Statement 73, paragraph 115.

Benefits Provided

All benefit terms are in statutes RCW 41.16, 41.18, and 41.26. The FPP provides retirement, disability, and death benefits. Each firefighter in service on March 1, 1970 receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new law for any firefighter, the excess benefits are paid from the FPP of the city employing the member on March 1, 1970.

All members are retired and drawing benefits. Benefit terms provide for cost-of-living adjustments to each member's retirement benefit. There are two types of increases: escalation by salary in proportion to the current salary of the rank from which the firefighter retired, or an increase proportionate to the increase in the Seattle-area CPI, with the change computed annually. Regardless of the increase (or decrease) in the CPI, the benefits are increased at least 2% each year. The former applies to firefighters who retired from service after 1969, their survivors, and to firefighters who retired for duty disability (but not their survivors) after 1969. The latter applies to all other types of monthly benefits.

Employees covered by benefit terms

At December 31, 2022 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	13
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	0
Total	13

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore, there is no set contribution rate. The City does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$109,211.

Financial Report

The City does not issue a stand-alone financial report for the Firefighter's Pension Plan. The activity of the Plan is included in the City's financial statements available on the City's website at <https://www.ci.richland.wa.us/departments/finance/financial-reports>

Total Pension Liability

The City's total pension liability was valued as of December 31, 2022, and was used to calculate the total pension liability measured as of December 31, 2022.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2021</u>	<u>December 31, 2022</u>	
Discount Rate	1.84%	4.05%	
Inflation	2.75%	5.00%	
Salary Increases	3.50%	3.50%	Used to project total benefit increases
Mortality Rates	Based on SOA tables		

- Experience studies come from the State of Washington 2018 study.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the total pension liability.

Discount Rate

The discount rate used to measure the total pension liability is 4.05%. The City's pension plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 0.0 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

Changes in the Total Pension Liability (Firefighter's Pension Plan)

The following table shows the changes in total pension liability for the Firefighter's Pension Plan during fiscal year 2022:

Changes in the Total Pension Liability (Firefighter's Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2021	\$1,492,190
Changes for the year:	
Service Cost	-
Interest	26,451
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(260,354)
Changes of Assumptions	(208,737)
Benefit Payments	(109,211)
Other Miscellaneous Income/(Expense)	-
Net Changes	(551,851)
Balance as of Report Date December 31, 2022	\$940,339

Sensitivity of the Total Pension Liability to changes in the discount rate

The following table presents City's total pension liability (TPL) for the Firefighter's Pension Plan calculated using the current discount rate (4.05%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate.

	1% Decrease	Current Rate	1% Increase
	3.05%	4.05%	5.05%
Total Pension Liability (Asset)	\$995,377	\$940,339	\$890,975
Increase (Decrease)	55,038		(49,364)
% Change	5.9%		-5.2%

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pension

For the year ended December 31, 2022, the City recognized a pension expense related to firefighter's pension of (\$442,640), deferred outflows of resources related to firefighter's pension of \$0, and deferred inflows of resources related to firefighter's pension of \$0.

Current Liability for Firefighter's Pension Plan

	Amount
Current Pension Liability	\$110,593
Non-Current Pension Liability	829,746
Total Pension Liability	\$940,339

Police Pension Plan

Plan Description

The City administers a single-employer defined-benefit post-employment pension plan for police officers hired prior to 1970, the Police Pension Plan (PPP). Dependents are eligible to enroll, and benefits continue to surviving spouses. The PPP is not administered through a trust and for this reason was reclassified from a fiduciary fund to the General Fund in 2018 per GASB Statement 73, paragraph 115.

Benefits Provided

All benefit terms are in statutes RCW 41.16, 41.18, and 41.26. The PPP provides retirement, disability, and death benefits. Each police officer in service on March 1, 1970 receives the greater of the benefit payable under the Washington Law Enforcement Officers' and police officers' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new law for any police officer, the excess benefits are paid from the PPP of the city employing the member on March 1, 1970.

All members are retired and drawing benefits. Benefit terms provide for cost-of-living adjustments to each member's retirement benefit. There are two types of increases: escalation by salary in proportion to the current salary of the rank from which the police officer retired, or an increase proportionate to the increase in the Seattle-area CPI, with the change computed annually. Regardless of the increase (or decrease) in the CPI, the benefits are increased at least 2% each year. The former applies to police officers who retired from service after 1969, their survivors, and to police officers who retired for duty disability (but not their survivors) after 1969. The latter applies to all other types of monthly benefits.

Employees covered by benefit terms

At December 31, 2022 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	0
Total	14

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore, there is no set contribution rate. The City does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$206,211.

Financial Report

The City does not issue a stand-alone financial report for the Police Pension Plan. The activity of the Plan is included in the City's financial statements available on the City's website at <https://www.ci.richland.wa.us/departments/finance/financial-reports>

Total Pension Liability

The City's total pension liability was valued as of December 31, 2022, and was used to calculate the total pension liability measured as of December 31, 2022.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2021</u>	<u>December 31, 2022</u>	
Discount Rate	1.84%	4.05%	
Inflation	2.75%	5.00%	
Salary Increases	3.50%	3.50%	Used to project total benefit increases
Mortality Rates	Based on SOA tables		

- Experience studies come from the State of Washington 2018 study.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the total pension liability.

Discount Rate

The discount rate used to measure the total pension liability is 4.05%. The City's pension plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds as of the valuation date.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 0.0 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

Changes in the Total Pension Liability (Police Pension Plan)

The following table shows the changes in total pension liability for the Police Pension Plan during fiscal year 2022:

Changes in the Total Pension Liability (Police Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2021	\$3,191,920
Changes for the year:	
Service Cost	-
Interest	56,834
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	67,387
Changes of Assumptions	(948,390)
Benefit Payments	(206,211)
Other Miscellaneous Income/(Expense)	-
Net Changes	(1,030,380)
Balance as of Report Date December 31, 2022	\$2,161,540

Sensitivity of the Total Pension Liability to changes in the discount rate

The following table presents City's total pension liability (TPL) for the Police Pension Plan calculated using the current discount rate (4.05%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate.

	1% Decrease 3.05%	Current Rate 4.05%	1% Increase 5.05%
Total Pension Liability (Asset)	\$2,325,010	\$2,161,540	\$2,017,703
Increase (Decrease)	163,470		(143,837)
% Change	7.6%		-6.7%

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pension

For the year ended December 31, 2022, the City recognized pension expense related to police pension of (\$824,169), deferred outflows of resources related to police pension of \$0, and deferred inflows of resources related to police pension of \$0.

Current Liability for Police Pension Plan

	<u>Amount</u>
Current Pension Liability	\$192,982
Non-Current Pension Liability	<u>1,968,558</u>
Total Pension Liability	<u>\$2,161,540</u>

NOTE 11. WHOLESALE POWER SUPPLY CONTRACTS

Since 1958, the City has purchased the majority of its wholesale electric power (energy and capacity) requirements from the Bonneville Power Administration (BPA) for resale to its retail customers. BPA, one of four, Federal Power Marketing Administrations (PMA), sells power output from the Federal Columbia River Power System (FCRPS), principally consisting of hydroelectric generating facilities owned by the U.S. Corps of Engineers and the U.S. Bureau of Reclamation, and the output from Energy Northwest's Columbia Generating Station (CGS) nuclear plant. BPA supplements the generation resources with regional contractual and power exchange acquisitions. Regional consumer-owned wholesale utility customers, like the City of Richland, purchase Federal power under the preference clause of the Bonneville Project Act, allowing them priority firm access to FCRPS output. BPA also owns and maintains a regional high voltage transmission system, which delivers wholesale power to the City's ten points of delivery. The City has separate agreements with BPA for power and integrated network transmission services, expiring in 2028 and 2031 respectively.

Prior to October 2011, BPA met preference customers load growth automatically by acquiring necessary power resources. With cost and risk mitigation in mind, BPA engaged its customers and stakeholders in a regional dialogue process, which significantly shifted responsibility for securing power to meet post-FY2011 incremental loads. New long-term power supply agreements, for the FY2012-2028 period, provided preference customers with a historical load-based share of FCRPS output (tier 1) and related costs recovered via a new tiered rate methodology (TRM). Arranging power supply to serve load growth (tier 2) exceeding historical FY2010 levels became each utility's responsibility with the option to contract with BPA or non-Federal suppliers. Richland signed a 20-year BPA Regional Dialogue Contract as a load following customer in December 2008 for the FY2012-2028 period. This contract obligates BPA to meet the City's net wholesale requirements exceeding the utility's tier 2 resources delivered on a flat block basis. Since tier 2 resources reflect market-based pricing, the TRM has some potential market-based energy and capacity rate exposure.

Since 2002, the City has been a member of Northwest Requirements Utilities (NRU), which represents the power and transmission interests of 55 consumer-owned electric utilities. In anticipation of operating under BPA's new Regional Dialogue Contract for wholesale power and desiring more control over tier 2 power resource options, 22 NRU members established a new entity, NRU-Power Services (NRU-PS), to provide administrative and non-Federal power management services. NRU-PS members include municipalities, public utility districts, and rural cooperatives. To accommodate State and organizational legal mandates, the member utilities created two additional entities for the purpose of actual resource acquisition. Northwest Intergovernmental Energy Supply (NIES) represents municipal and public utility district members while Northwest Energy Supply Cooperative (NESC) represents cooperatives. Richland is a NIES member. Both NIES and NESC have agreements allowing NRU-PS to provide all of the necessary administrative functions required to procure non-Federal resources. Richland

elected to meet all of its tier 2 requirements through BPA from 2015-2019 and began using a blend of non-federal market purchases supplied by NIES beginning in late 2019 through 2023. Washington State legislated energy policy decisions requiring renewable and carbon free electrical generation resources have limited non-federal resource options with market prices doubling in 2023 compared to 2022. With continuing tightening of resource options and electrical wholesale market uncertainty, the City has elected to utilize BPA for its remaining non-specified tier 2 requirements from 2024-2028. NRU-PS members continue to actively evaluate resource acquisition opportunities including potential for post 2028 baseload resource opportunities. This effort includes considering renewable resources necessary to meet State renewable portfolio standards as part of the Washington State's Energy Independence Act and the Clean Energy Transformation Act (CETA).

Richland is also a long-standing member of Energy Northwest (EN), a joint operating agency with 27 Washington consumer-owned electric utility members. Richland holds less than 3% interest in each of EN's nuclear generating projects 1, 2, and 3. Only Columbia Generating Station (CGS) Project 2 was completed while projects 1 and 3 were terminated. Richland's pro-rata share of EN costs are included in the BPA wholesale priority firm power billings. BPA acquires the output of CGS and reimburses EN for its operating and debt costs under a Direct Pay Agreement. Through a net billing participant agreement, the City remains obligated to pay its share of the cost to retire the bonds for projects 1, 2 and 3 if the Direct Pay Agreement discontinues. Richland may also be obligated to pay, either as a participant or as a member of EN, the costs of project site restoration.

NOTE 12. CONTINGENCIES AND LITIGATIONS

The City 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 City management, the City's insurance policies are adequate to pay all known or pending claims.

Based upon current evaluation of the lawsuits, the City's legal counsel indicates that the City's exposure does not exceed the amount of reserves available for payment. The City is currently actively defending four lawsuits at the trial court level. One of the lawsuits alleges an unconstitutional taking and due process violation, and the other three are land use petitions seeking reversal of three separate land use decisions. Money damages are not part of the land use petition litigation. The City believes it has defensible positions on these matters, and does not have an approximation of potential liability. Insurance coverage is available for damages awarded, with the exception of punitive damages, which are highly unlikely. In addition, one matter is currently on appeal with a high likelihood of City's success on the merits.

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 such disallowances, if any, will be immaterial.

NOTE 13. SUBSEQUENT EVENTS

On June 6, 2023 the City issued \$19,415,000 in Electric Utility Revenue Improvement and Refunding Bonds. Approximately \$8 million of the proceeds will be used to accomplish projects in the Electric utility's Capital Improvement Plan over the next 3 years. Just over \$13.5 million in proceeds were deposited in escrow to effect the refunding of the Electric utility's 2013B bond issue, which resulted in a Net Present Value savings of \$585,109, and a percentage savings of 4.47%.

NOTE 14. SERVICE CONCESSION ARRANGEMENTS

The City has identified one agreement that meets the criteria in GASB Statement 60 for reporting as a Service Concession Arrangement (SCA); the Horn Rapids ORV Park. Per the requirements of GASB Statements 60 and 63, assets constructed or improvements made by the transferee in years that will not become property of the City until the termination of the agreement are included in capital asset balances at acquisition value and are offset by a deferred inflow of resources in the Government-Wide Statement of Net Position, when applicable.

Horn Rapids Off-Road Vehicle (ORV) Park

In 2007 the City entered into an agreement with HRMC, Inc. (HRMC), under which HRMC operates and collects user fees from the Horn Rapids ORV Park for a five-year term, renewable for three additional five-year terms. In 2010 the agreement was amended, extending the term of the agreement to 2022 and providing the option for HRMC to renew the agreement for three additional ten-year terms. In 2019, upon receiving a request from HRMC, the City authorized an extension of the agreement to 2032.

HRMC pays the City a percentage of gross receipts from the revenues generated by operation of the ORV Park as follows: 2% of the first \$300,000 in annual gross receipts, and 3% of annual gross receipts exceeding \$300,000. HRMC is required to operate and maintain the ORV Park in accordance with the agreement. At the end of the agreement term HRMC is required to “return the premises to the City in same or better condition, reasonable wear and tear accepted.” As a result, assets provided by the transferee are not currently depreciated. In addition, HRMC constructed and will construct certain improvements to the facilities which may be either permanent or removable in nature. Permanent structures constructed by HRMC on the premises become property of the City upon the expiration of the agreement’s final term. The City reports the ORV Park and related structures as a governmental capital asset with a carrying value of \$4,343,462 at year end, and reports a deferred inflow of resources in the amount of \$3,069,000 related to the structures that have been constructed by HRMC.

NOTE 15. FUND BALANCE CLASSIFICATION

As described in Note 1, Summary of Significant Accounting Policies, fund balances in the Governmental Fund Balance Sheet are classified as non-spendable, restricted, committed, assigned, and unassigned based on the level of constraints on expenditure of resources. The Balance Sheet reports the classification of fund balance by function. Debt Service is considered a specific use, rather than a governmental function.

The following table describes in more detail the purpose of each fund balance classification, except for balances related to non-spendable, debt service, and unassigned fund balances:

City of Richland, Washington
Annual Comprehensive Financial Report
Notes to the Financial Statements
For the Year Ended December 31, 2022

Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)		
Balance Sheet Description	Amount	Purpose
<u>Restricted For:</u>		
Capital Improvements	4,199,932	Real Estate Excise Tax restricted for capital improvements
	583,615	Fire Station 75 Construction
	57,290	Fire Station 73 Construction
	7,388,374	Fire Station 76 Construction
	286,863	Streets construction projects
	1,133,582	Acquisition and development of public open space (parks)
	76,275	Restricted by franchise agreement for cable broadcast equipment
	<u>13,725,931</u>	
Public Safety	2,009,202	Public Safety Sales/Criminal Justice Tax restricted to Criminal Justice purposes
	42,302	Police confiscations
	76,208	Opioid settlement
	<u>2,127,711</u>	
Economic Environment	374,250	Contingency for performance of Hanford Reach Interpretive Center
	1,799,357	Lodging Tax proceeds restricted for tourism promotion
	874,238	HUD Program for owner occupies housing rehabilitation
	2,053,982	HUD Program for home down payment assistance
	150,000	Code Enforcement abatement
	1,892,309	Building Permit Proceeds - unspent
	2,062	Restricted for public art
	<u>7,146,198</u>	
Transportation	8,451	Transportation Improvement District tab fees for bridge & street improvements
	<u>8,451</u>	
Other Purposes	0	Administration of ICMA deferred compensation plans
	1,340,393	Fire/Police Pensions
	82,563	Police Operations
	<u>1,422,956</u>	
<u>Committed For:</u>		
Capital Improvements	452,951	Library capital improvements
	9,240,153	Park construction projects
	398,654	Swift Blvd corridor/City Hall Improvements
	<u>10,091,759</u>	
Public Safety	21,227	Police Operations
	25,000	Police - Narcotics investigations
	60,539	Fire Equipment
	<u>106,766</u>	
Economic Environment	202,692	Commercial Improvement Program
	3,841,097	Industrial Development
	<u>4,043,790</u>	
<u>Assigned To:</u>		
Public Safety	54,168	Police operations and special projects
	6,235	Fire Department operations
	<u>60,403</u>	
Transportation	6,245,093	Construction of streets infrastructure
	739,799	Maintenance of streets and rail infrastructure
	<u>6,984,891</u>	

City of Richland, Washington
Annual Comprehensive Financial Report
Required Supplementary Information
For the Year Ended December 31, 2022

OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS POST EMPLOYMENT HEALTHCARE PLAN FOR THE YEAR ENDED DECEMBER 31, 2022 LAST 10 FISCAL YEARS*					
	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 9,009,017	\$ 9,317,685	\$ 10,047,417	\$ 10,859,388	\$ 10,218,385
Service Cost	342,624	322,534	357,678	327,477	317,939
Interest	165,051	185,186	274,039	394,657	412,174
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(2,500,483)	(132,461)	(324,882)	185,689	(718,605)
Changes of Assumptions	(725,932)	77,997	(156,493)	(394,411)	1,717,693
Benefit Payments	(360,887)	(318,227)	(606,428)	(1,030,936)	(811,722)
Implicit Rate Subsidy Fulfilled	(402,080)	(443,697)	(273,646)	(294,447)	(276,476)
Total OPEB Liability - Ending	\$ 5,527,310	\$ 9,009,017	\$ 9,317,685	\$ 10,047,417	\$ 10,859,388
Covered-employee Payroll**	\$ 6,527,405	\$ 8,357,859	\$ 8,075,226	\$ 10,111,177	\$ 9,816,677
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	84.68%	107.79%	115.39%	99.37%	110.62%
Notes to Schedule:					
* Until a full 10 year trend is compiled, only information for those years available is presented					
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246)					
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75					

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LEOFF 1 FIREFIGHTERS OPEB FOR THE YEAR ENDED DECEMBER 31, 2022 LAST 10 FISCAL YEARS*					
	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 3,920,705	\$ 4,039,296	\$ 8,820,142	\$ 9,055,358	\$ 9,668,049
Service Cost	-	-	-	-	-
Interest	71,148	77,889	239,004	335,022	332,039
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(1,227,706)	31,452	(4,458,187)	(251,890)	(354,610)
Changes of Assumptions	(566,291)	61,816	(303,484)	(75,491)	(328,013)
Benefit Payments	(107,982)	(289,748)	(258,179)	(242,857)	(262,107)
Implicit Rate Subsidy Fulfilled	-	-	-	-	-
Total OPEB Liability - Ending	\$ 2,089,874	\$ 3,920,705	\$ 4,039,296	\$ 8,820,142	\$ 9,055,358
Covered-employee Payroll**	\$ -	\$ -	\$ -	\$ -	\$ -
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:					
* Until a full 10 year trend is compiled, only information for those years available is presented					
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246)					
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75					

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LEOFF 1 POLICE OPEB FOR THE YEAR ENDED DECEMBER 31, 2022 LAST 10 FISCAL YEARS*					
	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 4,727,042	\$ 4,850,841	\$ 14,696,661	\$ 15,533,433	\$ 13,720,278
Service Cost	-	-	-	-	-
Interest	85,802	95,369	400,745	577,975	565,609
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(726,784)	(127,624)	(9,522,508)	(455,025)	(997,276)
Changes of Assumptions	(800,485)	73,244	(475,804)	(718,232)	2,474,999
Benefit Payments	(127,862)	(164,788)	(248,253)	(241,490)	(230,177)
Implicit Rate Subsidy Fulfilled	-	-	-	-	-
Total OPEB Liability - Ending	\$ 3,157,713	\$ 4,727,042	\$ 4,850,841	\$ 14,696,661	\$ 15,533,433
Covered-employee Payroll**	\$ -	\$ -	\$ -	\$ -	\$ -
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:					
* Until a full 10 year trend is compiled, only information for those years available is presented					
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246)					
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75					

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PENSION PLANS

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS									
FIRE PENSION									
FOR THE YEAR ENDED DECEMBER 31, 2022									
LAST 10 FISCAL YEARS*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability - beginning	\$ 1,492,190	\$ 1,563,693	\$ 1,696,538	\$ 1,664,161	\$ 1,494,982	\$ 1,845,762	\$ 1,955,082	\$ 2,072,542	\$ 2,174,667
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	26,451	30,123	45,033	59,872	63,404	87,993	92,704	98,363	103,590
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(260,354)	(4,119)	(288,009)	(13,348)	112,317	(208,186)	-	(4,485)	-
Changes of assumptions	(208,737)	17,586	228,116	121,000	173,506	(58,767)	-	-	-
Benefit payments, included refunds of employee contributions	(109,211)	(115,093)	(117,985)	(135,147)	(180,048)	(171,820)	(202,024)	(211,338)	(205,715)
Net change in total pension liability	(551,851)	(71,503)	(132,845)	32,377	169,179	(350,780)	(109,320)	(117,460)	(102,125)
Total pension liability - ending	\$ 940,339	\$ 1,492,190	\$ 1,563,693	\$ 1,696,538	\$ 1,664,161	\$ 1,494,982	\$ 1,845,762	\$ 1,955,082	\$ 2,072,542
Covered-employee payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
** Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB 73, par. 128)									
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.									
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68									

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS									
POLICE PENSION									
FOR THE YEAR ENDED DECEMBER 31, 2022									
LAST 10 FISCAL YEARS*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability - beginning	\$ 3,191,920	\$ 3,289,149	\$ 3,600,194	\$ 3,129,835	\$ 1,978,316	\$ 2,760,704	\$ 2,823,401	\$ 2,910,561	\$ 2,978,378
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	56,834	63,836	96,207	112,867	116,570	133,349	136,197	139,988	143,633
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(249,104)	(11,589)	(532,265)	(41,736)	1,304,898	(658,565)	-	(21,223)	-
Changes of assumptions	(631,899)	45,188	328,481	639,350	(79,437)	(69,702)	-	-	-
Benefit payments, included refunds of employee contributions	(206,211)	(194,664)	(203,468)	(240,122)	(190,512)	(187,470)	(198,894)	(205,925)	(211,450)
Net change in total pension liability	(1,030,380)	(97,229)	(311,045)	470,359	1,151,519	(782,388)	(62,697)	(87,160)	(67,817)
Total pension liability - ending	\$ 2,161,540	\$ 3,191,920	\$ 3,289,149	\$ 3,600,194	\$ 3,129,835	\$ 1,978,316	\$ 2,760,704	\$ 2,823,401	\$ 2,910,561
Covered-employee payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
** Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB 73, par. 128)									
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.									
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68									

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1									
As of June 30, 2022									
Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.198149%	0.188313%	0.195936%	0.207529%	0.208701%	0.209308%	0.222982%	0.221151%	0.229721%
Employer's proportionate share of the net pension liability (asset)	5,517,195	2,299,742	6,917,599	7,980,227	9,320,658	9,931,828	11,975,184	11,568,254	11,572,303
TOTAL	5,517,195	2,299,742	6,917,599	7,980,227	9,320,658	9,931,828	11,975,184	11,568,254	11,572,303
Covered payroll**	32,065,116	28,938,107	29,781,630	29,124,314	27,576,242	26,123,426	26,327,222	24,875,108	24,674,608
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.21%	7.95%	23.23%	27.40%	33.80%	38.02%	45.49%	46.51%	46.90%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
Notes to Schedule:									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)									

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2/3									
As of June 30, 2022									
Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.258001%	0.241933%	0.255753%	0.267892%	0.265600%	0.264362%	0.277811%	0.275857%	0.282032%
Employer's proportionate share of the net pension liability (asset)	(9,568,692)	(24,100,420)	3,270,935	2,602,142	4,534,884	9,185,316	13,987,564	9,856,528	5,700,885
TOTAL	(9,568,692)	(24,100,420)	3,270,935	2,602,142	4,534,884	9,185,316	13,987,564	9,856,528	5,700,885
Covered payroll**	32,065,116	28,938,107	29,781,630	29,124,314	27,450,839	25,916,025	26,005,102	24,485,420	24,147,489
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.84%	-83.28%	10.98%	8.93%	16.52%	35.44%	53.79%	40.25%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%
Notes to Schedule:									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)									

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
LEOFF RETIREMENT SYSTEM PLAN 1									
As of June 30, 2022									
Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.126497%	0.123781%	0.127127%	0.129806%	0.129145%	0.128052%	0.126016%	0.125802%	0.125288%
Employer's proportionate share of the net pension liability (asset)	(3,628,709)	(4,240,195)	(2,400,805)	(2,565,760)	(2,344,630)	(1,942,831)	(1,298,325)	(1,516,192)	(1,519,482)
State's proportionate share of net pension liability (asset) associated with employer	(24,544,500)	(28,680,573)	(16,238,984)	(17,354,735)	(15,859,019)	(13,141,258)	(8,781,839)	(1,516,192)	(1,519,482)
TOTAL	(28,173,210)	(32,920,768)	(18,639,789)	(19,920,495)	(18,203,649)	(15,084,089)	(10,080,164)	(3,032,384)	(3,038,964)
Covered payroll**	-	-	-	-	-	-	31,473	75,470	91,992
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	-4125.19%	-2008.99%	-1651.75%
Plan fiduciary net position as a percentage of the total pension liability	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%
Notes to Schedule:									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)									

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
LEOFF RETIREMENT SYSTEM PLAN 2									
As of June 30, 2022									
Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.444254%	0.402318%	0.410844%	0.432599%	0.442011%	0.439701%	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability (asset)	(12,073,482)	(23,368,295)	(8,380,618)	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(7,820,939)	(15,075,101)	(5,358,770)	(6,563,061)	(5,810,358)	(3,958,010)	(1,708,071)	(4,227,228)	(5,539,728)
TOTAL	(19,894,421)	(38,443,396)	(13,739,388)	(16,585,052)	(14,784,145)	(10,059,635)	(4,328,105)	(8,454,456)	(11,079,456)
Covered payroll**	17,265,092	16,219,097	15,580,281	14,984,568	14,593,802	13,754,625	13,646,421	11,937,074	11,617,276
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-69.93%	-144.08%	-53.79%	-66.88%	-61.49%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension liability	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%
Notes to Schedule:									
*Until a full 10 year trend is compiled, only information for those years available is presented.									
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)									

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SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1										
As of December 31, 2022										
Last 10 Fiscal Years										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ 1,182,229	\$ 1,314,404	\$ 1,437,901	\$ 1,464,462	\$ 1,431,430	\$ 35,334	\$ 48,941	\$ 67,823	\$ 78,321	\$ 96,187
Contributions in relation to the statutorily or contractually required contributions*	(1,182,229)	(1,314,404)	(1,437,901)	(1,464,462)	(1,431,430)	(27,661)	(25,145)	(38,503)	(44,388)	(46,395)
Contribution deficiency (excess)	-	-	-	-	-	7,673	23,796	29,320	33,933	49,792
Covered payroll**	\$ 31,506,141	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,948,293	\$ 25,347,210	\$ 25,380,922	\$ 25,441,133	\$ 24,851,454
Contributions as a percentage of covered payroll	3.75%	4.32%	4.79%	4.95%	5.06%	0.13%	0.19%	0.27%	0.31%	0.39%
Notes to Schedule										
Excess contributions in PERS 1 are due to leave cashouts										
* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund PERS 1 UAAL										
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2 & 3										
As of December 31, 2022										
Last 10 Fiscal Years										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ 2,003,792	\$ 2,184,355	\$ 2,375,815	\$ 2,279,911	\$ 2,121,044	\$ 3,183,939	\$ 2,808,191	\$ 2,536,893	\$ 2,302,039	\$ 1,971,093
Contributions in relation to the statutorily or contractually required contributions	(2,003,792)	(2,184,355)	(2,375,815)	(2,279,911)	(2,121,044)	(3,183,939)	(2,808,191)	(2,536,893)	(2,302,039)	(1,971,093)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll*	\$ 31,506,141	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,717,377	\$ 25,122,302	\$ 24,998,494	\$ 24,961,610	\$ 24,272,814
Contributions as a percentage of covered payroll	6.36%	7.18%	7.92%	7.71%	7.50%	11.92%	11.18%	10.15%	9.22%	8.12%
Notes to Schedule										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 1										
As of December 31, 2022										
Last 10 Fiscal Years										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-	-	-	(109)	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	649	-	-
Covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,906	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.34%	N/A	N/A
Notes to Schedule										
Excess contribution in 2015 is due to corrections for 1980 for time that was not reported for employee										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 2										
As of December 31, 2022										
Last 10 Fiscal Years										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ 930,560	\$ 853,461	\$ 817,869	\$ 794,365	\$ 774,994	\$ 735,325	\$ 677,438	\$ 642,151	\$ 614,451	\$ 604,541
Contributions in relation to the statutorily or contractually required contributions	(930,560)	(853,461)	(817,869)	(794,365)	(774,994)	(735,325)	(677,438)	(642,151)	(614,451)	(603,710)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	831
Covered payroll*	\$ 18,154,620	\$ 16,601,956	\$ 15,857,451	\$ 15,151,138	\$ 14,648,249	\$ 14,266,819	\$ 13,414,604	\$ 12,715,703	\$ 12,167,241	\$ 11,539,641
Contributions as a percentage of covered payroll	5.13%	5.14%	5.16%	5.24%	5.29%	5.15%	5.05%	5.05%	5.05%	5.24%
Notes to Schedule										
Excess contributions in 2013 are due to leave cashouts										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)										

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - Entitlement Grants Cluster							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	69,643	69,643	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID - 19-Community Development Block Grants/Entitlement Grants	14.218	-	-	26,275	26,275	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	131,431	131,431	1,2,3,4
Total CDBG - Entitlement Grants Cluster:				-	227,349	227,349	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	33,096	33,096	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	44,246	44,246	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	6,021	6,021	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	57,080	57,080	1,2,3,4

The accompanying notes are an integral part of this schedule.

ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	59,650	59,650	59,650	1,2,3,4
			Total ALN 14.239:	200,093	200,093	200,093	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Seattle Police Department)	Missing Children's Assistance	16.543	259,029	-	259,029	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Seattle Police Department)	Missing Children's Assistance	16.543	55,000	-	55,000	-	1,2
			Total ALN 16.543:	314,029	314,029	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	5,394	5,394	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,167	-	4,167	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	7,620	-	7,620	-	1,2
			Total ALN 16.738:	11,787	11,787	-	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	-	55,491	55,491	-	1,2
U.S. Department of Justice	FBI-Gang Task Force	16.U01	-	3,001	3,001	-	1,2
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	8,016	-	8,016	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	12,198	-	12,198	-	1,2,4

FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL- 9903(023), LA- 9929	336,184	-	336,184	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL- 9903(024), LA- 9930	23,357	-	23,357	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	NHPP-3463 (003), LA-10235	29,176	-	29,176	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	TAP-1080(008), LA-9933	16,395	-	16,395	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	TAP-9903(025), LA-9931	74,439	-	74,439	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-3455(001), LA-9704	70,095	-	70,095	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(532), LA-9716	799,229	-	799,229	-	1,2,4
Highway Safety Cluster				Total Highway Planning and Construction Cluster:	-	1,369,089	-	-

The accompanying notes are an integral part of this schedule.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via National Highway Traffic Safety Administration Passed through Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2022-HVE-4455-Region 14 Target Zero Task Force	5,143	-	5,143	-	1,2,4
Total Highway Safety Cluster:				5,143	-	5,143	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via State and Local Fiscal Recovery Funds)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	20-6541C-302- & amendment A; CV20302 Cares Act	236,400	-	236,400	-	1,2,4
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington State Library)	ARPA Library Services and Technology Act	45.310	OSOS No. G-7330	20,200	-	20,200	-	1,2,4
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Dept of Ecology)	Environmental Remediation and Waste Processing and Disposal	81.104	IAA No. C23000001 and IAA No. C22000005	102,200	-	102,200	-	1,2,4
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E22-105	128,472	-	128,472	-	1,2,4,5
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E23-072	43,735	-	43,735	-	1,2,4,5
Total ALN 81.214:				172,207	-	172,207	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-079	36,197	-	36,197	-	1,2,4,5

The accompanying notes are an integral part of this schedule.

FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E21-068	77,879	-	77,879	-	1,2,4,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E22-132 Amendment 2	60,907	-	60,907	-	1,2,4,5
Total ALN 97.042:				174,983	-	174,983	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E22-101	162,481	-	162,481	-	1,2,4,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E21-080	68,586	-	68,586	-	1,2,4,5
Total ALN 97.067:				231,067	-	231,067	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018-FH- 00280	456,624	-	456,624	-	1,2,4
Total Federal Awards Expended:				3,093,729	491,328	3,585,057	200,093	

The accompanying notes are an integral part of this schedule.

CITY OF RICHLAND, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for governmental funds and the full accrual basis of accounting for proprietary funds.

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation within its CDBG program. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0.00. These funds were disbursed from the revolving loan program income. The City uses the deductive method of reporting, so the expenses reported on the SEFA do not include these disbursements. The amount of principal and interest received in loan repayments for the year was \$43,418.27. Of this amount, \$36,224.28 will continue to build the revolving loan fund. The remaining \$7,193.99 were repayments from the City's defunct CDBG down payment assistance program. These funds were reported as program income and applied to other eligible project costs.

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the CDBG program are net of \$7,193.99 in program income and revolving loan.

The City of Richland is the lead entity for the Tri-Cities HOME Consortium, consisting of the Cities of Richland, Kennewick and Pasco. The Consortium receives federal HOME funds from the U.S. Department of Housing and Urban Development that are used for first time homebuyer opportunities, housing rehabilitation, acquisition and new construction activities. The objective of the HOME program is to provide affordable housing for lower income persons.

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the HOME program are net of \$161,272.50 in program income. New loans are recorded as expenditures and tracked as a receivable in the HOME Fund.

NOTE 4 – 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's portion are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State,

Local and Indian Tribal Governments, or 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 5 – BENTON COUNTY EMERGENCY SERVICES (BCES) GRANTS

Grants received by BCES are applied for and expended exclusively for BCES activities, as noted by the various grant award agreements.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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