



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Centralia

Utility Funds

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

Published August 29, 2024

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

August 29, 2024

City Council
City of Centralia
Centralia, Washington

Report on Financial Statements

Please find attached our report on the financial statements of the Electric, Water, Wastewater, and Storm & Surface Water utility funds of the City of Centralia.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Centralia Utility Funds January 1, 2022 through December 31, 2022

2022-001 The City did not have adequate internal controls ensuring accurate reporting of its financial statements for its utility funds.

Background

State and federal agencies, the City Council, and the public rely on information included in the financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to financial statements are accurate.

The City prepares its financial statements for its utility funds in accordance with generally accepted accounting principles (GAAP).

Our audit found material weaknesses in internal controls over accounting and financial reporting that hindered the City's ability to produce reliable financial statements for its utility funds. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

We found the following deficiencies in internal controls that represent a material weakness:

- City staff responsible for compiling financial information lacked technical knowledge and experience needed to accurately prepare the financial statements and balances related to GASB 68 pension reporting
- The City did not have an adequate review process of the financial statements, notes and supplementary schedules to ensure they were complete and accurate

Cause of Condition

The City experienced turnover in key accounting positions that were involved in the preparation and review of the City's utility fund financial statements.

Effect of Condition

Because of these deficiencies, our audit identified the following:

- The City overstated deferred outflows related to pensions by \$1,857,527 in the electric fund, \$607,892 in the water fund, \$591,259 in the wastewater fund, and \$98,187 in the storm and surface water fund
- The City overstated pension expenses by \$2,064,033 in the electric fund, \$675,388 in the water fund, \$659,863 in the wastewater fund, and \$110,930 in the storm and surface water fund

We also identified other less significant errors in the City's financial statements for its utility funds. The City corrected all pension errors noted above.

Recommendation

We recommend the City strengthen internal controls and dedicate the resources necessary to ensure all staff responsible for preparing financial statements have the necessary training to prepare accurate and complete financial statements in accordance with reporting standards. Additionally, the City should conduct an effective, independent financial statement review that ensures the required financial statement package is accurate and meets reporting standards

City's Response

We appreciate the opportunity to respond to the audit finding regarding deficiencies in controls over our process for preparing financial statements. We take this matter seriously and are committed to addressing the issues raised. As noted in your report, the deficiencies primarily stem the significant loss of staff in 2022 and early 2023. The 40 years of institutional experience lost included the staff responsible for preparing the city financial statements. The extended recruitment of staff and onboarding of new staff and bringing them up to speed caused the delayed submission of the financial statements. The city has filled all the positions that were vacant. The city agrees with the finding. Due to staff turnover and having employees in training, financial statement review was insufficient to ensure errors were corrected. The city has implemented a new review procedure and has addressed and corrected issues related to the calculation and presentation of pension figures. Moving forward the city will ensure internal controls are improved and any deficiencies in financial statement preparation are corrected.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

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 Centralia Utility Funds January 1, 2022 through December 31, 2022

City Council
City of Centralia
Centralia, 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 Electric, Water, Wastewater, and Storm & Surface Water utility funds of the City of Centralia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's utility funds financial statements, and have issued our report thereon dated August 22, 2024.

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 opinion 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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001 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*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Pat McCarthy, State Auditor

Olympia, WA

August 22, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Centralia Utility Funds January 1, 2022 through December 31, 2022

City Council
City of Centralia
Centralia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Electric, Water, Wastewater, and Storm & Surface Water utility funds of the City of Centralia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's utility funds 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 financial position of the Electric, Water, Wastewater, and Storm & Surface Water utility funds of the City of Centralia, as of December 31, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Matters of Emphasis

As discussed in Note 1B, the financial statements of the City's Electric, Water, Wastewater, and Storm & Surface Water utility funds are intended to present the financial position, changes in financial position, and cash flows that is attributable to the transactions of those utility proprietary

funds. They do not purport to, and do not, present fairly, the financial position of the City of Centralia, Washington, as of December 31, 2022, the changes in its financial position or cash flows for the year then ended in conformity with accounting principles accepted in the United States of America. 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 opinion. 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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

August 22, 2024

FINANCIAL SECTION

City of Centralia Utility Funds January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

FINANCIAL STATEMENTS

Statement of Net Position – 2022

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

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Schedule of Employer's Required Contributions – Western Conference of Teamsters
Pension Plan Trust – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB – 2022

Notes to Required Supplementary Information – 2022

CITY OF CENTRALIA UTILITIES
Management's Discussion & Analysis
December 31, 2022

This management discussion and analysis is a narrative overview of the financial activity of the four utility funds (Electric, Water, Wastewater and Storm & Surface Water) of the City of Centralia (the Utilities) for the fiscal year ending December 31, 2022. The information contained herein is intended to be read in conjunction with the financial statements and the notes to the financial statements that follow.

USING THIS REPORT

The Utility Funds, or Enterprise Funds, of the City of Centralia are the focus of this report, which presents financial information in the form of Fund Financial Statements.

BACKGROUND OF REPORTING ENTITY

A brief background of each of the four utility funds of the City of Centralia is provided below to assist readers of this report with an understanding of the utility funds.

Electric Utility - The Electric Utility service territory consists of approximately 35 square miles, including all of the City and the immediate outlying area. Power supply is provided through a combination of purchases from the Bonneville Power Administration (BPA), non-Federal market purchases and power generated through the Yelm Hydroelectric Project, which it owns and operates. The Yelm Hydroelectric Project was built by the City in 1929, began operations in 1930 and was first licensed by the Federal Energy Regulatory Commission (FERC) in 1997 for a period of 40 years, expiring in 2037. The Yelm Project has a maximum rated generating capacity of 12 megawatts (MW).

Water Utility - The Water Utility serves all of the City and limited outlying areas. Water is supplied from groundwater sources within the City. The Water Utility owns and operates two well fields that contain five active wells, two inactive wells, five reservoirs, two pressure tanks, seven booster pump stations, and 135 miles of distribution and transmission pipes.

Wastewater Utility - The Wastewater Utility serves most of the City and limited outlying areas. The Wastewater Utility owns and operates a treatment plant, 25 pump stations, 70 miles of gravity sewer, and 19 miles of force main.

Storm & Surface Water Utility - The Storm & Surface Water Utility, established in 2005, serves most of the City. Services are provided utilizing 1,800 catch basins, 22 miles of gravity storm sewer pipe and numerous ditches and culverts as authorized by its National Pollution Discharge Elimination System (NPDES) permit issued by the Washington Department of Ecology (DOE) under the authority of the U.S. Environmental Protection Agency (EPA).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Utilities exceeded liabilities and deferred inflows at the end of 2022 by \$176.7 million (net position).
- Net investment in capital assets of the Utilities at year-end accounted for 76% of net position, or \$134.8 million.
- Unrestricted net position of \$30.5 million at December 31, 2022 may be used to meet the ongoing obligations to utility customers and creditors.
- During 2022, total net position increased by \$13.7 million, or 8.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic Financial Statements are comprised of two components: 1) Fund Financial Statements (Enterprise Funds) and 2) Notes to the Financial Statements. This report also contains Required Supplementary Information intended to furnish additional detail to support the basic financial statements.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Centralia, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. The City's funds fall into three categories: governmental funds, proprietary funds, and fiduciary funds.

Proprietary Funds account for a government's business type activities where all or part of the costs of activities are supported by user fees and charges that are paid directly by those who benefit from the activities. Within the Proprietary Fund category falls two types of funds: Enterprise Funds and Internal Service Funds. The City's Enterprise Funds include the four utility funds of the City of Centralia: Light, Water, Wastewater and Storm & Surface Water.

The Fund Financial Statements provide detailed information about each of the Utility Funds, as the City considers all utility funds as Major Funds.

Statement of Net Position - The Statement of Net Position presents each Utility's difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources as net position. Over time, changes in net position may serve as one indicator of whether the financial position of the Utilities is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position - This statement provides information regarding how each Utility's net position changed during the period. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows - The Statement of Cash Flows presents information regarding the sources and uses of cash during the fiscal period separated into four categories: operating, non-capital financing, capital and related financing, and investing.

Notes to the Financial Statements - These are presented following the basic financial statements, and are considered an integral part of the Utilities' presentation of financial position, results of activities, and cash flows.

FUND FINANCIAL SUMMARY AND ANALYSIS

Statement of Net Position

As discussed previously, net position over time may serve as a useful indicator of financial position. The Utilities' assets exceeded liabilities by \$176.7 million as of December 31, 2022.

	Summary Statement of Net Position (in thousands)									
	Electric		Water		Wastewater		Stormwater		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current Assets	\$ 18,537	\$ 17,321	\$ 7,581	\$ 6,533	\$ 9,033	\$ 8,094	\$ 1,179	\$ 1,767	\$ 36,329	\$ 33,716
Other Assets	1,237	3,326	4,695	5,002	6,076	6,505	69	185	12,078	15,019
Capital Assets	69,673	70,016	21,728	21,766	54,739	49,459	3,339	2,409	149,479	143,650
Total Assets	89,447	90,663	34,004	33,302	69,848	64,058	4,588	4,361	197,887	192,384
Total Deferred Outflows of Resources	1,289	494	387	119	379	116	65	21	2,120	750
Current Liabilities	4,534	4,339	379	638	2,204	2,327	78	53	7,195	7,356
Non-Current Liabilities	9,189	10,465	671	720	4,001	5,790	124	110	13,985	17,085
Total Liabilities	13,722	14,804	1,050	1,357	6,205	8,117	203	163	21,180	24,441
Total Deferred Inflows of Resources	1,236	3,380	405	1,092	396	1,062	66	189	2,103	5,723
Net Position										
Net Investment in Capital Assets	60,661	59,609	21,464	21,224	49,394	42,174	3,299	2,366	134,819	125,373
Restricted	36	98	4,302	3,961	4,994	4,739	5	5	9,336	8,802
Net Pension Assets	1,200.74	3,226.33	393	1,041	384	1,010	65	180	2,042	5,457
Unrestricted	13,880	10,039	6,778	4,746	8,850	7,073	1,015	1,481	30,524	23,339
Total Net Position	\$ 75,778	\$ 72,973	\$ 32,937	\$ 30,971	\$ 63,622	\$ 54,996	\$ 4,383	\$ 4,031	\$ 176,720	\$ 162,971

The largest portion of Net Position, approximately \$134.8 million, represents the Utilities' investment in Capital Assets (i.e., property, plant and equipment) used in business type activities, net of outstanding amounts borrowed to finance those investments. The Utilities use these assets to provide services to the utility ratepayers, and as such, these assets are not available for future spending.

Total Net Position for the Utilities increased by \$13.7 million during 2022. Of this increase, \$0.26 million represents additional Restricted Net Position due mainly to additional Water and Wastewater Capital Facility Charges (CFC's) collected from customers to connect newly constructed homes and businesses to both utility systems. These charges are used to fund utility projects that increase water and wastewater plant capacity.

The Net Investment in Capital Assets component of Net Position increased by \$9.4 million. This increase represents a combination of additional utility plant infrastructure placed into service, increased capital spending, depreciation expense taken, and a decrease in outstanding long-term debt as scheduled principal payments of bonds and loans were made during 2022.

Unrestricted Net Position can be used to finance day-to-day utility operations without the constraints established by debt covenants or other legal restrictions. This component of Net Position showed a net increase of \$7.2 million during 2022. The electric, water, and wastewater utilities show increases of approximately \$3.8 million, \$2 million, and \$1.8 million respectively in Unrestricted Net Position due to slower increases in capital spending and increasing revenues. Stormwater utilities shows a decrease of approximately \$0.5 million in Unrestricted Net Position.

	Summary of Changes in Net Position (in thousands)				
	Net Investment in Capital Assets	Restricted	Net Pension Asset	Unrestricted	Total
Net Position - Beginning	\$ 125,373	\$ 8,802	\$ 5,457	\$ 23,339	\$ 162,971
Increases	17,730.0	534		7,185	25,449
(Decreases)	(8,284.0)	-	(3,415)		(11,699)
Net Position - Ending	\$ 134,819	\$ 9,336	\$ 2,042	\$ 30,524	\$ 176,720
Note: Values may not tie due to rounding.					

At the end of 2022, positive balances in all Utility Funds were reported in all categories of Net Position, which indicates an improving financial position for the Utility Funds individually and as a whole.

Statement of Revenues, Expenses and Changes in Net Position

The change in Net Position can be described in terms of Revenues and Expenses, which result from the activities of the Utilities during the year. All Revenues and Expenses of the Utility Funds are considered to be Program Revenues and Program Expenses of the City.

	Summary Statement of Revenues, Expenses, and Changes in Net Position (in thousands)									
	Electric		Water		Wastewater		Stormwater		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Operating Revenue										
Utility Sales and Services	\$ 27,745	\$ 26,676	\$ 6,147	\$ 6,060	\$ 9,437	\$ 9,120	\$ 1,051	\$ 1,054	\$ 44,380	\$ 42,910
Other Operating Revenue	242	818	40	31	41	39	1	2	324	890
Total Operating Revenue	27,987	27,494	6,186	6,091	9,479	9,160	1,052	1,055	44,705	43,800
Non-Operating Revenues										
Intergovernmental Revenue	493	40	-	-	2,915	906	142	40	3,550	986
Investment Earnings	(103)	(15)	(97)	(24)	(98)	(21)	(1)	(3)	(299)	(64)
Gains (Losses) on Capital Asset Disposal	(97)	(180)	-	2	-	0	-	-	(97)	(178)
Total Non-Operating Revenues	293	(155)	(97)	(22)	2,817	885	141	37	3,154	745
Total Revenues	28,281	27,339	6,089	6,069	12,296	10,045	1,193	1,092	47,859	44,545
Expenses										
Total Operating Expenses	25,707	23,944	4,690	4,404	6,962	6,986	840	723	38,198	36,058
Total Non-Operating Expenses	232	415	5	10	47	52	1	1	285	477
Total Expenses	25,939	24,359	4,695	4,414	7,008	7,038	841	724	38,483	36,535
Excess (Deficiency) Before Contributions & Transfers	2,342	2,980	1,394	1,655	5,287	3,007	352	368	9,375	8,009
Capital Contributions	463	656	572	207	3,339	194	-	-	4,374	1,056
Transfers	-	-	-	-	-	-	-	-	-	-
Special item - negotiated payment	-	-	-	-	-	(1)	-	-	-	(1)
Changes in Net Position	2,805	3,636	1,966	1,862	8,626	3,200	352	368	13,749	9,064
Net Position - Beginning	72,973	69,337	30,971	29,110	54,996	51,796	4,031	3,663	162,971	153,907
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-
Net Position - Ending	\$ 75,778	\$ 72,973	\$ 32,937	\$ 30,971	\$ 63,622	\$ 54,996	\$ 4,383	\$ 4,031	\$ 176,720	\$ 162,971

Note: Values may not tie due to rounding.

Operating Revenues and Expenses represent the primary activities of each Utility Fund in fulfilling its mission to customers.

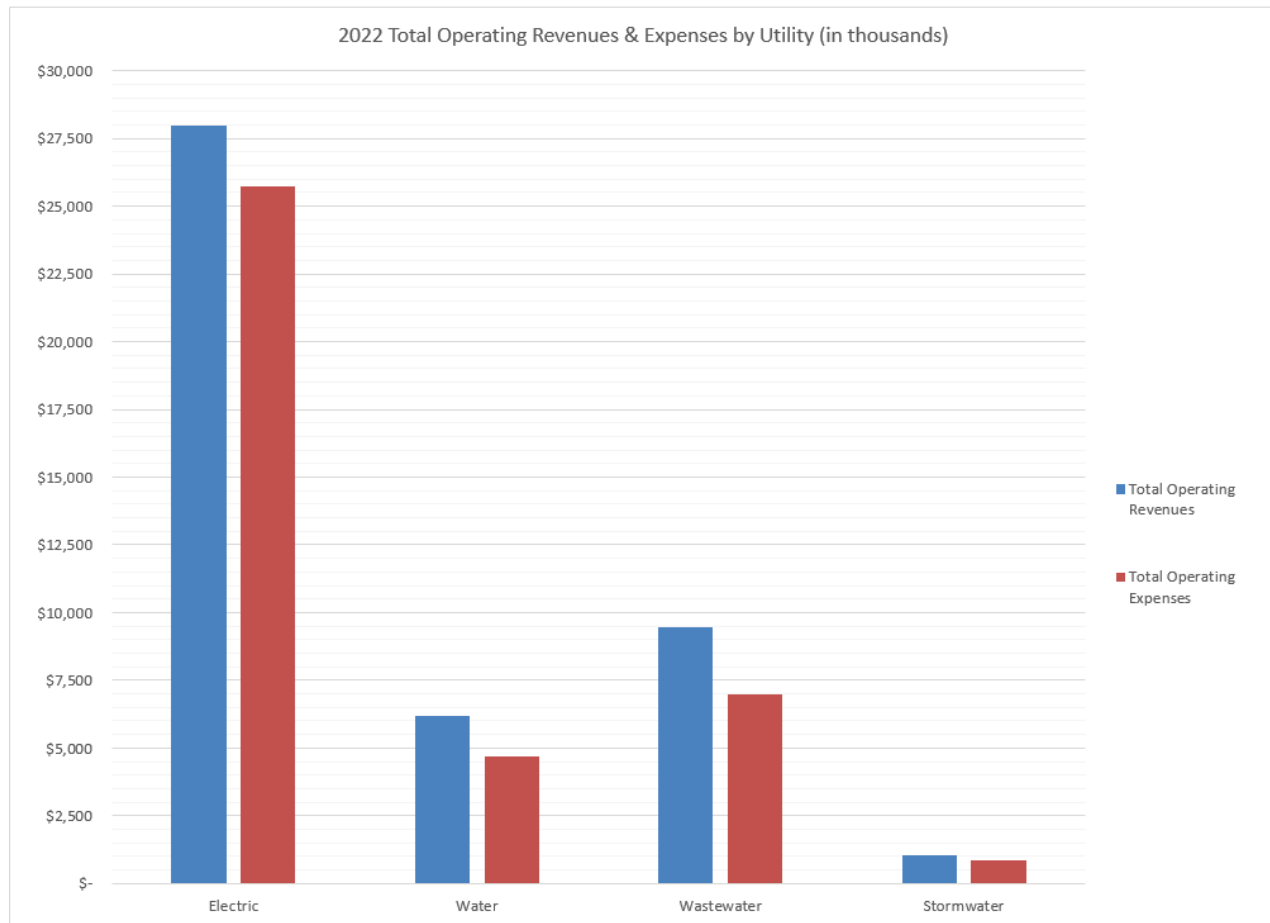
The majority of Operating Revenue is attributed to Utility Rate Revenues, which are shown in the Financial Statements as Utilities Sales and Services. These are the main source of Revenue for the Utility Funds of the City, as required by state law. Utility rate revenues increased by a net of \$1.5 million, or 3.4% during the year, despite the Water, Wastewater, and Stormwater rates remaining unchanged from 2021. Other influences on Utility sales and services revenues are customer growth, conservation, the economy, and weather conditions.

Utility rate increases during 2022 were as follows:

- Electric rates remained unchanged during 2022, previously having been raised by an average of 4.8% in March 2018.
- Water, Wastewater, and Stormwater rates remained unchanged, effective January 1, 2022.

A component of Non-Operating Revenues, Investment earnings decreased by 371%, or \$0.24 million. Investment earnings are allocated to each fund based on individual fund cash and investment balances at each month end.

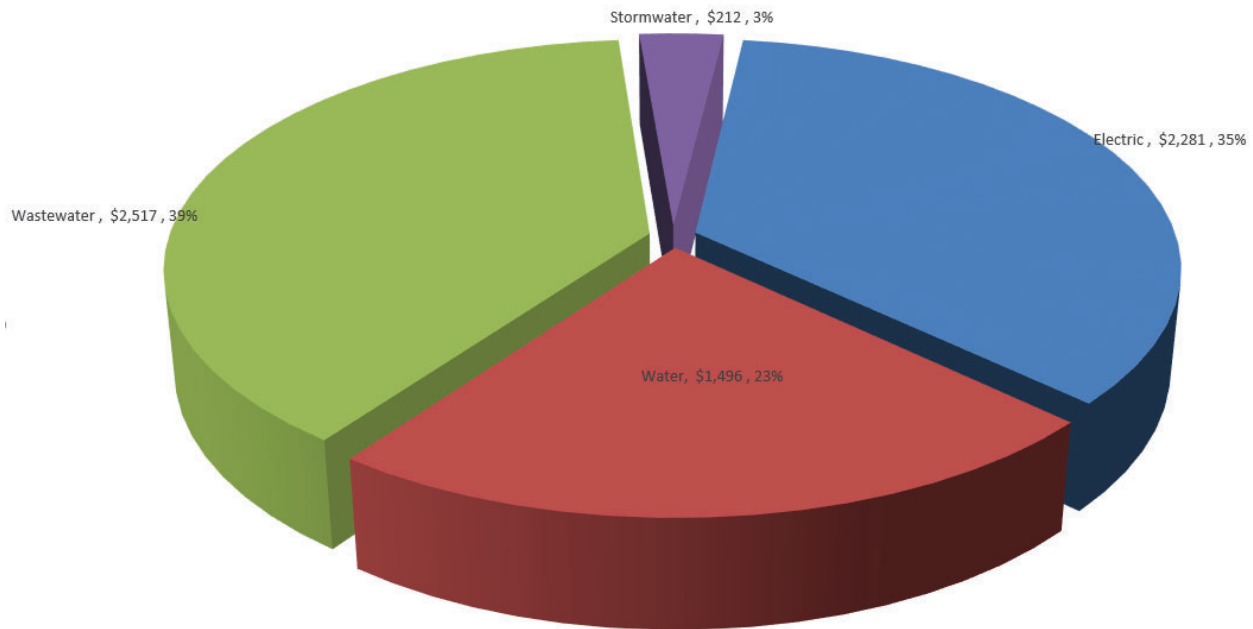
Capital Contributions represent assessments to customers to connect to existing utility plant so that newly constructed homes and commercial buildings can receive utility services. During 2022, capital contributions increased by \$3.3 million or 314.3%. This increase was mainly due to several large sewer system donations in 2022.



Operating Expenses include general operations, administrative, plant maintenance, customer service, depreciation and taxes. In addition, the Electric Utility purchases wholesale power and transmission services through contracts with the Bonneville Power Administration (BPA) and power market providers. **See Note 15B.1** for more information regarding the BPA power contract and the Electric Utility's power supply.

Total Operating Expenses increased by a net of \$2.1 million or 5.9%. Increases in purchased power/transmission is a majority of the higher Operating Expenses. Purchased power and transmission costs increased due to wholesale power and transmission rate increases, in addition to a nearly full year of additional market-based power purchases. Additional administration costs were incurred mainly due to increased conservation activities resulting in higher rebates issued to electric customers, additional costs of interfund information services, and additional OPEB expenses in 2022. Increases in depreciation and amortization expense resulted from additions to capital assets placed in service during the year.

2022 Net Operating Income by Utility (in thousands)



Net Operating Income is the difference between Operating Revenues and Operating Expenses, which represents the amount that the core activities of the Utility Funds contribute towards the Changes in Net Position. The Utility Funds had collective Total Net Operating Income of \$6.5 million and reflects a decrease of approximately \$1.2 million over the prior year. Net Operating Income decreased for the Electric, Water, and Stormwater utilities. Net Operating Income increased for the Wastewater utilities.

Collectively and individually, the Utility Funds had positive Changes in Net Position for 2022 increasing Total Net Position. This is an indication of improving financial position for the Utility Funds.

CAPITAL ASSET ACTIVITIES

The City of Centralia is committed to investing in existing utility plant infrastructure and Capital Assets of the Utility Funds in order to provide a high level of reliable service to its customers. As of December 31, 2022, the Utility Funds' investment in Capital Assets, including Construction in Progress, amounted to \$149.5 million, net of accumulated depreciation.

	Capital Asset Summary by Asset Type, Net of Depreciation (in thousands)									
	Electric		Water		Wastewater		Stormwater		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Land	\$ 2,496	\$ 2,033	\$ 447	\$ 447	\$ 1,264	\$ 1,264	\$ 37	\$ -	\$ 4,244	\$ 3,744
Buildings	5,189	5,418	2,897	2,998	28,148	28,985	1,325	1,358	37,558	38,759
Infrastructure	7,355	7,651	14,860	14,768	18,263	15,908	443	461	40,922	38,788
Equipment	50,183	44,114	1,278	1,399	1,863	2,103	104	130	53,428	47,746
Intangible Assets	1,898	2,018	-	-	-	-	-	-	1,898	2,018
Construction in Progress	2,554	8,773	2,247	2,154	5,197	1,198	1,431	460	11,429	12,585
Total Capital Assets	\$ 69,675	\$ 70,007	\$ 21,729	\$ 21,767	\$ 54,736	\$ 49,458	\$ 3,340	\$ 2,409	\$ 149,480	\$ 143,640
Note: Values may not tie due to rounding.										

Major Capital Asset events during 2022 include the following:

- Completion of the Centralia College Field of Dreams for \$310,000.
- Completion of tennis court Fords Prairie well baffle and ladder replacement for \$103,000.
- Completion of the emergency repair of the compost structure roof for \$26,400.
- Completion of the Mellen St pump station generator replacement for \$56,700.

Capital Assets are affected by various additions and deletions, and depreciation. Additions come from the purchase and/or construction of capital assets, current construction in progress expenditures, or from customer-constructed utility plant donations to the Utilities. Deletions are from the sale, retirement, or loss (accident or damage) of capital assets.

	Summary of 2022 Capital Asset Additions and Deletions (in thousands)				
	Electric	Water	Wastewater	Stormwater	Total
Beginning Balance, net	\$ 70,007	\$ 21,767	\$ 49,458	\$ 2,409	\$ 143,641
Additions	10,006	990	7,332	1,009	19,337
Deletions, net	(7,543)	(181)	(83)	-	(7,807)
Depreciation	(2,789)	(847)	(1,973)	(78)	(5,688)
Total Capital Assets	\$ 69,681	\$ 21,729	\$ 54,734	\$ 3,340	\$ 149,483
<i>Note: Values may not tie due to rounding.</i>					

Ending Capital Asset balances, shown net of depreciation, in terms of utility plant function are as follows:

	Capital Asset Summary by Utility Plant Function, Net of Depreciation (in thousands)									
	Electric		Water		Wastewater		Stormwater		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Distribution	\$ 40,529	\$ 34,168	\$ 7,317	\$ 7,453	\$ -	\$ -	\$ -	\$ -	\$ 47,846	\$ 41,621
Collection	-	-	-	-	18,269	15,915	492	475	18,761	16,390
Pumping	-	-	203	208	5,084	5,259	-	-	5,287	5,467
Production	16,414	17,018	-	-	-	-	-	-	16,414	17,018
Source of Supply	-	-	3,031	2,962	-	-	-	-	3,031	2,962
Transmission	3,518	3,561	1,634	5,013	-	-	-	-	5,152	8,574
Treatment	-	-	5,164	1,694	22,647	23,313	1,223	1,250	29,034	26,257
General	4,761	4,469	2,131	2,282	3,538	3,774	194	224	10,624	10,749
Intangible	1,898	2,018	-	-	-	-	-	-	1,898	2,018
Construction in Progress	2,554	8,773	2,247	2,154	5,197	1,198	1,430	460	11,428	12,585
Total Capital Assets	\$ 69,674	\$ 70,007	\$ 21,727	\$ 21,767	\$ 54,735	\$ 49,458	\$ 3,340	\$ 2,409	\$ 149,475	\$ 143,641
<i>Note: Values may not tie due to rounding.</i>										

Capital Construction in Progress

As previously noted, the City of Centralia is committed to investing in existing Utility Plan Infrastructure and Capital Assets to continue to provide high level, reliable utility services to its current and future customers. Capital improvement plans are designed to allow for proper management of construction projects and to provide lead time for decision making for funding projects. Capital Asset construction is provided for through a combination of construction fees, cash flow from revenues, and long-term revenue bonds and state loans.

Major construction projects currently in progress include the following:

- Sidewalk access ramp replacement
- Woodland Avenue Stormwater extension
- Phase I - wastewater treatment plant efficiency upgrades

See Note 3 for additional information on Capital Assets.

LONG-TERM DEBT ACTIVITIES

The Utilities use Long-Term Debt as one resource to fund construction and acquisition of long-life utility plant assets. Past borrowings have included revenue bonds, and low-interest loans through the Washington State Public Works Trust Fund (PWTF) and the Washington State Revolving Fund (SRF). The overall decrease in Long-Term Debt is the result of \$3.5 million in debt principal payments made in 2022. The city issued refunding bonds in 2021 for the Electric utility to take advantage of favorable interest rates.

	Summary of Debt Outstanding (in thousands)									
	Electric		Water		Wastewater		Stormwater		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue Bonds (net)	\$ 9,117	\$ 10,538	\$ -	\$ -	\$ -	-	\$ -	-	\$ 9,117	\$ 10,538
WA State SRF Loans	-	-	264	413	5,338	7,083	40	43	5,642	7,539
WA State PWTF Loans	-	-	-	128	126	197	-	-	126	325
Total Debt Outstanding	\$ 9,117	\$ 10,538	\$ 264	\$ 541	\$ 5,464	\$ 7,280	\$ 40	\$ 43	\$ 14,885	\$ 18,402
<i>Note: Values may not tie due to rounding.</i>										

Debt capacity for Enterprise Funds is dependent on a level of revenue that supports payment of all operating expenses and an assumed level of required debt coverage limits, beyond which results in the total amount of debt service the revenues can support, if any. An assumed level of outstanding debt is calculated based on the amount of debt service that can be supported using an assumed interest rate. For 2022, the Utilities calculated debt capacity using an assumed debt service coverage limit of 1.75 and an interest rate of 4.25%, calculated on an individual utility basis.

Total Debt Capacity by Utility Fund (in thousands)			
	Debt Limit	Current Debt	Remaining Capacity
Electric	\$ 71,930	\$ 9,117	\$ 62,813
Water	13,300	264	13,036
Wastewater	36,630	5,464	31,166
Stormwater	3,250	40	3,210
Totals	\$ 125,110	\$ 14,885	\$ 110,225
<i>Note: Values may not tie due to rounding.</i>			

The Electric Utility has debt service coverage of 3.00 on outstanding revenue bonds and a credit rating of A+ was affirmed by Standard and Poor's on June 7, 2023.

See **Note 10** for additional information on Long-Term Debt activities.

COVID-19 PANDEMIC

See **Note 15B.2.** for information on the COVID-19 Pandemic.

SIGNIFICANT FUTURE IMPACTS

Utility Rates

Utility rate increases approved for 2022 are as follows:

- Water, Wastewater and Stormwater rate increases of 0.0% across the board, were effective January 1, 2022. The city council temporarily froze the 2021 rates for 2022 because of the unusually high November 2021 CPI. Going forward the Centralia City Council will choose how much to increase rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Centralia Utilities' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Centralia, PO Box 609, Centralia, WA 98531-0609.

CITY OF CENTRALIA UTILITIES
Statement of Net Position
December 31, 2022

	Electric	Water	Wastewater	Storm & Surface Water	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 7,265,218	\$ 2,271,153	\$ 2,419,635	\$ 615,866	\$ 12,571,872
Restricted current assets:					
Cash and cash equivalents					
Customer deposits	803,587	8,130	-	-	811,717
Debt service reserve	135,958	-	-	-	135,958
Total restricted current assets	939,545	8,130	-	-	947,675
Investments	5,695,408	4,556,681	5,069,199	419,881	15,741,169
Receivables:					
Customer accounts (net)	3,483,698	557,137	1,543,771	143,650	5,728,256
Inventories and prepaid services	1,152,429	187,586	-	-	1,340,015
Total Current Assets	18,536,298	7,580,687	9,032,605	1,179,397	36,328,987
Non-Current Assets					
Restricted non-current assets:					
Cash and cash equivalents					
Capital reserves	-	4,302,010	3,076,683	-	7,378,693
Revenue bond/loan reserves	-	-	1,917,029	4,523	1,921,552
Power purchases	35,637	-	-	-	35,637
Total restricted non-current assets	35,637	4,302,010	4,993,712	4,523	9,335,882
Other non-current assets:					
Non-current receivables	-	-	121,430	-	121,430
Interfund loans - General Fund	-	-	574,000	-	574,000
Net Pension Asset	1,200,740	392,903	383,871	64,533	2,042,047
Leased Assets (net)	860	478	3,370	96	4,804
Total other non-current assets	1,201,600	393,381	1,082,671	64,629	2,742,281
Capital assets:					
Capital assets not being depreciated					
Land	2,496,010	447,074	1,264,205	36,839	4,244,128
Construction in progress	2,553,527	2,246,773	5,196,985	1,430,610	11,427,895
Capital assets being depreciated					
Buildings	5,188,560	2,896,726	28,148,148	1,324,971	37,558,405
Other improvements	7,354,688	14,859,686	18,263,172	442,795	40,920,341
Equipment	50,182,846	1,277,974	1,862,814	103,921	53,427,555
Intangible assets	1,897,534	-	-	-	1,897,534
Total capital assets (net)	69,673,165	21,728,233	54,735,324	3,339,136	149,475,858
Total Non-Current Assets	70,910,402	26,423,624	60,811,707	3,408,288	161,554,021
TOTAL ASSETS	89,446,700	34,004,311	69,844,312	4,587,685	197,883,008
DEFERRED OUTFLOWS OF RESOURCES					
Deferred losses on refunded debt	106,500	287	-	-	106,787
Other post-employment benefits	1,210	435	478	73	2,196
Pension	1,169,792	382,700	376,564	64,514	1,993,570
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,277,502	383,422	377,042	64,587	2,102,553
	\$ 90,724,202	\$ 34,387,733	\$ 70,221,354	\$ 4,652,272	\$ 199,985,561

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

CITY OF CENTRALIA UTILITIES
Statement of Net Position
December 31, 2022

	Electric	Water	Wastewater	Storm & Surface Water	Totals
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 2,049,986	\$ 214,379	\$ 316,968	\$ 72,983	\$ 2,654,316
Unearned revenue	140,219	-	-	-	140,219
Payable from current restricted assets:					
Customer deposits	800,230	4,275	-	-	804,505
Bonds payable	103,750	-	-	-	103,750
Interest payable	32,208	-	-	-	32,208
Compensated absences payable	26,307	10,456	9,133	1,542	47,438
Other post-employment benefits liability	2,420	870	956	146	4,392
Bonds payable (net of discounts/premiums)	1,377,382	(19)	-	-	1,377,363
Intergovernmental loans payable	-	148,532	1,875,135	3,546	2,027,213
Lease Payable	876	487	1,823	97	3,283
Total Current Liabilities	4,533,378	378,980	2,204,015	78,314	7,194,687
Non-Current Liabilities					
Compensated absences payable	499,825	198,670	173,524	29,308	901,327
Other post-employment benefits liability	359,088	129,281	141,927	21,644	651,940
Net pension liability	693,544	226,944	221,726	37,283	1,179,497
Bonds payable (net of discounts/premiums)	7,636,159	-	-	-	7,636,159
Intergovernmental loans payable	-	115,677	3,462,584	36,231	3,614,492
Lease Payable	-	-	1,616	-	1,616
Total Non-Current Liabilities	9,188,616	670,572	4,001,377	124,466	13,985,031
TOTAL LIABILITIES	13,721,994	1,049,552	6,205,392	202,780	21,179,718
DEFERRED INFLOWS OF RESOURCES					
Pension	1,261,690	413,671	405,559	67,751	2,148,671
NET POSITION					
Net investment in capital assets	60,661,497	21,463,843	49,394,166	3,299,262	134,818,768
Restricted for:					
Capital projects	-	4,302,010	3,076,683	-	7,378,693
Power purchases	35,637	-	-	-	35,637
Revenue bond/loan reserves	-	-	1,917,029	4,523	1,921,552
Net pension Asset	1,200,740	392,903	383,871	64,533	2,042,047
Unrestricted	13,842,644	6,765,754	8,838,654	1,013,423	30,460,475
TOTAL NET POSITION	75,740,518	32,924,510	63,610,403	4,381,741	176,657,172
	\$ 90,724,202	\$ 34,387,733	\$ 70,221,354	\$ 4,652,272	\$ 199,985,561

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

CITY OF CENTRALIA UTILITIES
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

	Electric	Water	Wastewater	Storm & Surface Water	Totals
Operating Revenues					
Utility sales and service fees	\$ 27,745,334	\$ 6,146,833	\$ 9,437,434	\$ 1,050,633	\$ 44,380,234
Other revenue	242,050	39,583	41,333	1,307	324,273
Total Operating Revenues	27,987,384	6,186,416	9,478,767	1,051,940	44,704,507
Operating Expenses					
General operations	4,115,446	1,958,518	2,238,160	280,261	8,592,385
Purchased power/transmission	11,272,177	-	-	-	11,272,177
Maintenance	2,232,241	77,320	155,748	91,462	2,556,771
Customer services and marketing	338,988	218,818	198,431	13,146	769,383
Administration	2,264,526	702,997	900,956	260,203	4,128,682
Depreciation/amortization	2,806,752	847,840	1,974,589	78,115	5,707,296
Property, excise and B&O taxes	2,714,182	896,889	1,505,339	118,247	5,234,657
Total Operating Expenses	25,744,312	4,702,382	6,973,223	841,434	38,261,351
Operating Income	2,243,072	1,484,034	2,505,544	210,506	6,443,156
Non-Operating Revenues (Expenses)					
Intergovernmental revenue	493,122	-	2,914,574	142,357	3,550,053
Investment earnings	(102,964)	(97,498)	(97,816)	(1,015)	(299,293)
Interest expense and related charges	(231,935)	(5,444)	(46,870)	(1,072)	(285,321)
Gains (losses) on capital asset disposal	(96,760)	-	-	-	(96,760)
Total Non-Operating Revenues (Expenses)	61,463	(102,942)	2,769,888	140,270	2,868,679
Income (Loss) Before Contributions/Transfers/Special Items	2,304,535	1,381,092	5,275,432	350,776	9,311,835
Capital contributions	463,002	572,084	3,339,131	-	4,374,217
Special Item - Negotiated Payment	-	-	-	-	-
Changes in Net Position	2,767,537	1,953,176	8,614,563	350,776	13,686,052
Net Position - Beginning Prior Period Adjustments	72,972,981	30,971,334	54,995,840	4,030,965	162,971,120
Net Position - Ending	\$ 75,740,518	\$ 32,924,510	\$ 63,610,403	\$ 4,381,741	\$ 176,657,172

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

CITY OF CENTRALIA UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2022

	Electric	Water	Wastewater	Storm & Surface Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 27,810,991	\$ 6,210,104	\$ 9,784,663	\$ 1,012,708	\$ 44,818,466
Cash paid to suppliers	(17,226,080)	(1,836,264)	(2,763,647)	(333,789)	(22,159,780)
Cash paid to employees	(5,560,881)	(1,836,433)	(1,859,182)	(320,601)	(9,577,097)
Cash paid to other funds for services	(917,277)	(395,256)	(540,697)	(116,020)	(1,969,250)
Cash received from other operating revenue	242,050	39,583	41,333	1,307	324,273
Net Cash Provided by Operating Activities	4,348,803	2,181,734	4,662,470	243,605	11,436,612
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Grant proceeds	493,122	-	2,914,573	142,357	3,550,052
Transfers from other funds	17,000	-	-	-	17,000
Net Cash Provided by Non-Capital Financing Activities	510,122	-	2,914,573	142,357	3,567,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(2,812,232)	(657,023)	(4,261,855)	(1,005,800)	(8,736,910)
Proceeds from sale of capital assets	-	-	-	-	-
Cash received for capital contributions	463,002	286,507	259,070	-	1,008,579
Payments of revenue bond principal	(1,185,000)	-	-	-	(1,185,000)
Payments of other long-term debt principal	(1,012)	(277,210)	(1,944,479)	(3,571)	(2,226,272)
Payments of interest on long-term debt	(445,813)	(5,444)	(46,870)	(1,072)	(499,199)
Net Cash (Used) by Capital and Related Financing Activities	(3,981,055)	(653,170)	(5,994,134)	(1,010,443)	(11,638,802)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on investments	(646,993)	(900,656)	(927,764)	266,689	(2,208,724)
Investment in government securities	1,948,971	1,559,298	1,734,682	143,684	5,386,635
Accrued interest on investment purchases	4,393	3,515	3,910	324	12,142
Redemptions of government securities	(1,269,763)	(1,015,890)	(1,130,153)	(93,610)	(3,509,416)
Cash received on notes and contracts receivable	-	-	55,317	-	55,317
Net Cash Provided (Used) by Investing Activities	36,608	(353,733)	(264,008)	317,087	(264,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	914,478	1,174,831	1,318,901	(307,394)	3,100,816
CASH AND CASH EQUIVALENTS - BEGINNING	7,325,922	5,406,461	6,094,446	927,783	19,754,612
CASH AND CASH EQUIVALENTS - ENDING	\$ 8,240,400	\$ 6,581,292	\$ 7,413,347	\$ 620,389	\$ 22,855,428
Unrestricted cash and cash equivalents	\$ 7,265,218	\$ 2,271,153	\$ 2,419,635	\$ 615,866	\$ 12,571,872
Restricted cash and cash equivalents	975,182	4,310,139	4,993,712	4,523	10,283,556
CASH AND CASH EQUIVALENTS - ENDING	\$ 8,240,400	\$ 6,581,292	\$ 7,413,347	\$ 620,389	\$ 22,855,428

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

CITY OF CENTRALIA UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2022

	Electric	Water	Wastewater	Storm & Surface Water	Totals
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net operating income	\$ 2,243,072	\$ 1,484,035	\$ 2,505,544	\$ 210,508	\$ 6,443,159
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,806,752	847,840	1,974,589	78,115	5,707,296
(Increase) decrease in accounts receivable	19,113	67,586	347,229	(37,926)	396,002
(Increase) decrease in inventory	(413,910)	(25,360)	-	-	(439,270)
Increase (decrease) in accounts payable	(239,192)	(182,642)	(151,318)	(8,628)	(581,780)
Increase (decrease) in compensated absences	(96,577)	(5,410)	(13,574)	1,536	(114,025)
Increase (decrease) in customer deposits	(8,109)	(4,315)	-	-	(12,424)
Increase (decrease) in unearned revenues	37,654	-	-	-	37,654
Total adjustments	2,105,731	697,699	2,156,926	33,097	4,993,453
Net cash provided by operating activities	\$ 4,348,803	\$ 2,181,734	\$ 4,662,470	\$ 243,605	\$ 11,436,612
	(0)	(0)	0	0	

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

CITY OF CENTRALIA UTILITIES
Notes to Financial Statements
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Centralia was incorporated on January 27, 1886, and operates under the laws of the State of Washington applicable to a third class city operating under second class laws as a commission form of government. Effective April 1, 1986, the form of government was changed and the City began operating under the laws of a non-charter code city, council-manager plan. The City Council is composed of seven members elected to four-year terms.

The financial information presented is for the Utility Funds of the City. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity of the Utilities. Component units are legally separate organizations for which the Utilities are financially accountable and other organizations for which the Utilities are not accountable but for which the nature and significance of their relationship with the Utilities are such that the exclusion would cause the Utilities' financial statements to be misleading or incomplete. Based upon this criterion, the Utilities have no component units.

Each Utility is financially independent of the others and is self-supported through user charges based on rates that are set by the City Council.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting records of the Utilities are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. This prescription allows the City to report the Utilities using GAAP, while reporting all City funds, including the Utilities, using the cash basis of accounting as outlined in the Budgeting, Accounting, and Reporting System (BARS) manual. **See Note 15, Section A. – Accounting and Reporting Changes.**

The Utilities' financial statements are reported using the economic resources measurement focus and full-accrual basis of accounting. The Utility Funds, as proprietary funds of the City, are operated in a manner similar to private enterprises. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

The Utility Funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Fund's principal ongoing operations. The principal operating revenue of each Utility Fund is utility sales and service fees. Operating expenses for the Utility Funds include the cost of sales and services, administrative expenses, operations and maintenance costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements contain information for the following Utility Funds:

The **Electric Fund** operates and maintains the electrical system consisting of a hydroelectric generating plant, transmission system and distribution system.

The **Water Fund** operates and maintains the water system consisting of groundwater supply sources, transmission system, treatment and storage facilities and distribution system.

The **Wastewater Fund** operates and maintains the wastewater system consisting of a collection system and treatment system.

The **Storm and Surface Water Fund** was established in 2005 to pay for services related to managing storm and surface water.

C. Budgetary Information

1. Scope of Budget

The City adopts biennial budgets for the Utility Funds. These budgets are appropriated at the fund level and constitute the legal authority for expenditures at that level. Biennial appropriations for the funds lapse at the end of the second fiscal year of the biennium.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

2. Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other condition of employment must be approved by the City Council.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Cash Equivalents

It is the Utilities' policy to invest all temporary cash surpluses. At December 31, 2022, \$22,855,729 was held in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as Cash and Cash Equivalents as both Current Assets and Non-Current Assets. The interest earned on these investments is prorated to the various funds.

For purposes of the Statement of Cash Flows, the Utilities considers assets held in the Washington State Local Government Investment Pool (LGIP) and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents. **See Note 2, Deposits and Investments.**

2. Investments - See Note 2, Deposits and Investments

3. Receivables

Customer accounts receivable consist of amounts owed by private individuals, businesses and organizations for goods and services provided. Customer accounts receivable are written off when they are deemed uncollectible. The allowance for doubtful accounts is estimated based on each Utility's historical losses and a review of specific accounts. Other current receivables consist of authorized loans and grants for which expenditures have been made but reimbursements have not yet been received.

4. Inventories

Inventories are valued by the average cost method, which approximates market value. A perpetual inventory is maintained in which the cost is capitalized when inventory items are purchased and expensed or capitalized when items are used. A physical inventory is taken at least once each year.

5. Restricted Assets and Liabilities

In accordance with bond resolutions and certain related agreements and local laws, separate restricted accounts have been established. The assets held in these accounts are restricted for specific uses, including reserves, capital construction, debt service, deposits, and power purchases. The current portion of related liabilities are shown as *Payable from Current Restricted Assets*.

Restricted assets as of December 31, 2022 include the following:

	Electric	Water	Wastewater	Stormwater	Total
Bond/Loan Reserves	\$ -	\$ -	\$ 1,917,029	\$ 4,523	\$ 1,921,552
Capital Projects	-	4,302,010	3,076,683	-	7,378,693
Debt Service	135,958	-	-	-	135,958
Deposits	803,587	8,130	-	-	811,717
Power Purchases	35,637	-	-	-	35,637
	\$ 975,182	\$ 4,310,140	\$ 4,993,712	\$ 4,523	\$10,283,557

6. Capital Assets - See Note 3, Capital Assets and Note 15, Other Disclosures

The Utilities define capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life of at least one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Costs for normal maintenance and repairs are not capitalized.

Property, plant and equipment is depreciated using the straight-line method, with initial depreciation recorded in the year of purchase or construction project closeout, beginning in the month following the asset addition date, over the following estimated useful lives:

Asset Type	Useful Life Range
Buildings	7 - 50 years
Equipment	5 - 50 years
Other Improvements	7 - 50 years
Intangible Assets	40 years

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Utilities' liability and expense for compensated absences are adjusted at year-end.

City personnel policies and Utility union contracts allow for a maximum accumulation of 240 hours of vacation and 360 hours of sick leave for each employee. Outstanding vacation and sick leave is payable upon resignation, retirement or death.

8. Pensions

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

See Note 6, Pensions - Governmental Plans.

9. Long-Term Debt - See Note 10, Long-Term Debt

10. Leases

Lessee: The Utilities are lessee for noncancelable leases. The Utilities recognizes a lease liability and a Lease Asset in the proprietary fund financial statements. The Utilities recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

The Utilities uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the utilities generally uses its incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the utilities is reasonably certain to exercise.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains cash deposits and investments that are available for use by all funds. Cash and investments reported in the Utilities' Financial Statements are the portions attributable to the Utility Funds and are stated at fair value. Interest earned from pooled deposits and investments is allocated to each fund based upon the ending cash balances held on a monthly basis.

A. Deposits

The Utilities' bank deposits at December 31, 2022 are entirely insured by Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

At year-end, the Utilities' balances of deposits were as follows:

Deposits	
Cash on hand	\$ 4,100
Bank deposits	1,989,390
	\$ 1,993,490

B. Investments

As authorized by RCW 35A.40.050, all investments are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington or the State Treasurer's Local Government Investment Pool (LGIP). All investments are insured, registered or held by the City or its agent in the government's name.

The Utilities' investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the Utilities may face should interest rate variances affect the fair value of investments. The Utilities' investment portfolio is designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, taking into account the Utilities' investment risk constraints, the cash flow characteristics of the portfolio, and the fact that the Utilities utilize a passive investment program. The Utilities do not have a formal policy that addresses Interest Rate Risk.

As of December 31, 2022, the Utilities held investments with the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities			
Federal Agricultural Mortgage Corporation	\$ 868,070	\$ -	\$ 868,070
Federal Farm Credit Bank	2,085,115	1,200,341	884,774
Federal Home Loan Bank	7,170,127	-	7,170,127
Federal Home Loan Mortgage Corporation	1,757,327	-	1,757,327
Federal National Mortgage Association	3,860,530	-	3,860,530
Total Debt Securities	\$ 15,741,169	\$ 1,200,341	\$ 14,540,828
Other Investments			
Local Government Investment Pool (LGIP)	20,772,772		
Total Investments	\$ 36,513,941		

Investments in Local Government Investment Pool (LGIP)

The Utilities is a participant in the Local Government Investment Pool, which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Proposed changes to the policy are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost, which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

Investments Measured at Fair Value

Investments are measured and reported at fair value using the valuation input hierarchy established by generally accounting principles 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 quoted prices that are not observable
- Level 3 - Unobservable inputs for an asset or liability

As of December 31, 2022, the Utilities had the following investments measured at fair value:

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments Measured at Fair Value	12/31/2022				
Investments by Fair Value Level					
U.S. Government & Agencies	\$ 15,741,169	\$ -	\$ 15,741,169	\$ -	
Investments Measured at Amortized Cost					
Local Government Investment Pool (LGIP)	20,772,772				
Total Investments	\$ 36,513,941				

C. Summary of Deposit and Investment Balances

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the Utilities' financial statements are as follows:

Deposits and Investments	
LGIP investments	\$ 20,772,772
Bank deposits	1,989,390
Cash on hand	4,100
Investments in debt securities	15,741,169
	\$ 38,507,431
Statement of Net Position Presentation	
Current Assets	
Cash and cash equivalents	\$ 12,572,172
Restricted current assets:	
Cash and cash equivalents	
Customer deposits	811,717
Debt service reserve	135,958
Investments	15,741,169
	29,261,016
Non-Current Assets	
Restricted non-current assets:	
Cash and cash equivalents	
Capital Reserves	7,378,693
Revenue bond/loan reserves	1,921,552
Power purchases	35,637
	9,335,882
Total Deposits and Investments	\$ 38,596,898

NOTE 3 – CAPITAL ASSETS

A. Capital Asset Activity

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
TOTAL UTILITY FUNDS				
Capital Assets not being depreciated:				
Land	\$ 3,744,393	\$ 499,737	\$ -	\$ 4,244,130
Construction In Progress	12,584,697	6,555,905	(7,712,709)	11,427,893
Total Capital Assets not being depreciated	16,329,090	7,055,642	(7,712,709)	15,672,023
Capital Assets being depreciated:				
Buildings	60,516,030	98,537	-	60,614,567
Other Improvements	77,312,875	3,711,673	-	81,024,549
Equipment	77,871,335	8,473,042	(175,941)	86,168,436
Intangible assets	4,862,082	-	-	4,862,082
Total Capital Assets being depreciated	220,562,322	12,283,253	(175,941)	232,669,634
Less Accumulated Depreciation for:				
Buildings	(21,756,402)	(1,299,759)	-	(23,056,161)
Other Improvements	(38,525,124)	(1,579,083)	-	(40,104,207)
Equipment	(30,116,032)	(2,704,030)	79,181	(32,740,880)
Intangible assets	(2,843,763)	(120,787)	-	(2,964,550)
Total Accumulated Depreciation	(93,241,320)	(5,703,658)	79,181	(98,865,798)
Total Capital Assets being depreciated, net	127,321,002	6,579,595	(96,760)	133,803,836
TOTAL UTILITY FUNDS - Capital Assets, Net	\$ 143,650,091	\$ 13,635,237	\$ (7,809,469)	\$ 149,475,859

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
ELECTRIC				
Capital Assets not being depreciated:				
Land	\$ 2,033,007	\$ 463,004	\$ -	\$ 2,496,011
Construction In Progress	8,772,683	1,227,243	(7,446,401)	2,553,526
Total Capital Assets not being depreciated	10,805,690	1,690,247	(7,446,401)	5,049,536
Capital Assets being depreciated:				
Buildings	7,929,062	11,532	-	7,940,594
Other Improvements	14,773,662	-	-	14,773,662
Equipment	68,335,982	8,304,467	(175,941)	76,464,508
Intangible assets	4,862,082	-	-	4,862,082
Total Capital Assets being depreciated	95,900,788	8,315,998	(175,941)	104,040,845
Less Accumulated Depreciation for:				
Buildings	(2,511,208)	(240,823)	-	(2,752,031)
Other Improvements	(7,122,811)	(296,164)	-	(7,418,974)
Equipment	(24,212,893)	(2,147,950)	79,181	(26,281,661)
Intangible assets	(2,843,763)	(120,787)	-	(2,964,550)
Total Accumulated Depreciation	(36,690,675)	(2,805,723)	79,181	(39,417,217)
Total Capital Assets being depreciated, net	59,210,113	5,510,275	(96,760)	64,623,629
ELECTRIC - Capital Assets, Net	\$ 70,015,803	\$ 7,200,522	\$ (7,543,160)	\$ 69,673,165

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
WATER				
Capital Assets not being depreciated:				
Land	\$ 447,074	\$ -	\$ -	\$ 447,074
Construction In Progress	2,153,808	273,500	(180,536)	2,246,772
Total Capital Assets not being depreciated	2,600,882	273,500	(180,536)	2,693,846
Capital Assets being depreciated:				
Buildings	4,885,201	3,856	-	4,889,057
Other Improvements	25,908,967	631,612	-	26,540,580
Equipment	3,061,575	81,207	-	3,142,781
Total Capital Assets being depreciated	33,855,743	716,675	-	34,572,418
Less Accumulated Depreciation for:				
Buildings	(1,887,228)	(105,102)	-	(1,992,330)
Other Improvements	(11,141,408)	(539,486)	-	(11,680,894)
Equipment	(1,662,126)	(202,681)	-	(1,864,807)
Total Accumulated Depreciation	(14,690,761)	(847,269)	-	(15,538,030)
Total Capital Assets being depreciated, net	19,164,982	(130,594)	-	19,034,388
WATER - Capital Assets, Net	\$ 21,765,864	\$ 142,905	\$ (180,536)	\$ 21,728,233

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
WASTEWATER				
Capital Assets not being depreciated:				
Land	\$ 1,264,206	\$ -	\$ -	\$ 1,264,206
Construction In Progress	1,198,328	4,084,430	(85,773)	5,196,985
Total Capital Assets not being depreciated	2,462,534	4,084,430	(85,773)	6,461,191
Capital Assets being depreciated:				
Buildings	46,214,454	83,150	-	46,297,604
Other Improvements	36,017,529	3,080,061	-	39,097,590
Equipment	6,138,967	86,805	-	6,225,772
Total Capital Assets being depreciated	88,370,950	3,250,016	-	91,620,966
Less Accumulated Depreciation for:				
Buildings	(17,228,983)	(920,474)	-	(18,149,457)
Other Improvements	(20,109,314)	(725,103)	-	(20,834,417)
Equipment	(4,035,869)	(327,089)	-	(4,362,958)
Total Accumulated Depreciation	(41,374,166)	(1,972,665)	-	(43,346,832)
Total Capital Assets being depreciated, net	46,996,784	1,277,351	-	48,274,134
WASTEWATER - Capital Assets, Net	\$ 49,459,318	\$ 5,361,781	\$ (85,773)	\$ 54,735,325

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
STORMWATER				
Capital Assets not being depreciated:				
Land	\$ 106	\$ 36,733	\$ -	\$ 36,839
Construction In Progress	459,878	970,733	-	1,430,611
Total Capital Assets not being depreciated	459,984	1,007,466	-	1,467,450
Capital Assets being depreciated:				
Buildings	1,487,313	-	-	1,487,313
Other Improvements	612,717	-	-	612,717
Equipment	334,811	564	-	335,375
Total Capital Assets being depreciated	2,434,841	564	-	2,435,405
Less Accumulated Depreciation for:				
Buildings	(128,983)	(33,360)	-	(162,343)
Other Improvements	(151,591)	(18,331)	-	(169,922)
Equipment	(205,144)	(26,310)	-	(231,454)
Total Accumulated Depreciation	(485,718)	(78,001)	-	(563,719)
Total Capital Assets being depreciated, net	1,949,123	(77,437)	-	1,871,686
STORMWATER - Capital Assets, Net	\$ 2,409,107	\$ 930,029	\$ -	\$ 3,339,136

See Note 15, Other Disclosures.

B. Interest Capitalization

Interest incurred and charged to expense during 2022 is as follows:

Electric	Water	Wastewater	Stormwater	Total
\$ 231,871	\$ 5,409	\$ 46,669	\$ 1,065	\$ 285,014

C. Depreciation Expense

Depreciation expense during 2022 is as follows:

Electric	Water	Wastewater	Stormwater	Total
\$ 2,805,723	\$ 847,269	\$ 1,972,665	\$ 78,001	\$ 5,703,658

NOTE 4 - Leases

Lessee Activity – Leases Payable

The Utilities is a lessee of equipment under operating leases. During 2022, the Utilities implemented GASB 87 Leases and any contracts the Utilities was party to that met the definitions of a lease under GASB 87 were reported with an inception date of January 1, 2022. Beginning balances have been restated to reflect this change in accounting. The Utilities categorizes leases with contractual terms longer than twelve months as leases. Lease assets represent the Utilities's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

The leased assets are as followed:

		Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
TOTAL UTILITY FUNDS					
	Leased Equipment	8,441		-	8,441
	Total Leased Assets	8,441		-	8,441
	Leased Equipment	-	(3,637)	-	(3,637)
	Total Accumulated Depreciation	-	(3,637)	-	(3,637)
TOTAL UTILITY FUND - Leased Assets, Net		8,441	(3,637)	-	4,804

		Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
ELECTRIC					
	Leased Equipment	1,888			1,888
	Total Leased Assets	1,888			1,888
	Leased Equipment	-	(1,028)	-	(1,028)
	Total Accumulated Depreciation	-	(1,028)	-	(1,028)
ELECTRIC - Leased Assets, Net		1,888	(1,028)	-	860

		Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
WATER					
	Leased Equipment	1,049			1,049
	Total Leased Assets	1,049			1,049
	Leased Equipment	-	(571)	-	(571)
	Total Accumulated Depreciation	-	(571)	-	(571)
WATER - Leased Assets, Net		1,049	(571)	-	478

		Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
WASTEWATER					
	Leased Equipment	5,293	-	-	5,293
	Total Leased Assets	5,293	-	-	5,293
	Leased Equipment	-	(1,923)	-	(1,923)
	Total Accumulated Depreciation	-	(1,923)	-	(1,923)
WASTEWATER - Leased Assets, Net		5,293	(1,923)	-	3,370

		Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
STORMWATER					
	Leased Equipment	210	-	-	210
	Total Leased Assets	210	-	-	210
	Leased Equipment	-	(114)	-	(114)
	Total Accumulated Depreciation	-	(114)	-	(114)
STORMWATER - Leased Assets, Net		210	(114)	-	96

As of December 31, 2022, the principle and interest requirement to maturity are as follows:

Year Ended			
December 31	Principal	Interest	Total
2023	\$ 3,284	\$ 161	\$ 3,445
2024	1,380	48	1,428
2025	236	2	238
2026			-
2027			-
Totals	\$ 4,900	\$ 211	\$ 5,111

The leased liabilities are as followed:

		Beginning Balances 1/01/2022	Additions	Reductions	Ending Balances 12/31/2022
TOTAL UTILITY FUNDS					
	Leases Payable				
	Equipment	8,441	-	(3,527)	4,914
	Total Equipment Lease Payable	8,441	-	(3,527)	4,914
TOTAL UTILITY FUND- Lease Payable		8,441	-	(3,527)	4,914
		Beginning Balances 1/01/2022	Additions	Reductions	Ending Balances 12/31/2022
ELECTRIC					
	Leases Payable				
	Equipment	1,888	-	(1,012)	876
	Total Equipment Lease Payable	1,888	-	(1,012)	876
ELECTRIC - Lease Payable		1,888	-	(1,012)	876

			Beginning Balances 1/01/2022	Additions	Reductions	Ending Balances 12/31/2022
WATER						
Leases Payable						
	Equipment		1,049	-	(562)	487
	Total Equipment Lease Payable		1,049	-	(562)	487
WATER - Lease Payable			1,049	-	(562)	487
			Beginning Balances 1/01/2022	Additions	Reductions	Ending Balances 12/31/2022
STORMWATER						
Leases Payable						
	Equipment		210	-	(97)	112
	Total Equipment Lease Payable		210	-	(97)	112
STORMWATER - Lease Payable			210	-	(97)	112
			Beginning Balances 1/01/2022	Additions	Reductions	Ending Balances 12/31/2022
WASTEWATER						
Leases Payable						
	Equipment		5,293	-	(1,855)	3,439
	Total Equipment Lease Payable		5,293	-	(1,855)	3,439
WASTEWATER - Lease Payable			5,293	-	(1,855)	3,439

In October 2018, the Utilities entered into a lease agreement for a Sharp MX-4070Y color copier that is used and portioned out between several funds including the 4 Utilities. This lease is for 60 month and monthly payments of \$249 are being made. The lease ends October 2023. In 2022 the Utilities paid \$2,277.72 on Principle and \$142.56 on interest.

In February 2020, Wastewater entered into a lease agreement for a Sharp MX-2651 copier. This lease is for 60 month and monthly payments of \$119 are being made. The lease ends February 2025. In 2022 Wastewater paid \$1,264 on Principle and \$164.00 on interest.

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The Utilities have active construction projects as of December 31, 2022. Significant commitments with contractors as of year-end are as follows:

Project Name	Spent to Date	Commitment Remaining	Funding Source
CANAL LINING PROJECTS	\$ 214,925.48	\$ 10,443.42	Light Revenues
PAD MOUNTED SWITCHGEAR	\$ -	\$ 277,112.10	Light Revenues
HYDROELECTRIC CANAL ZONE 26 STUMP REMOVAL & ENGINEERED FILTER	\$ 59,340.88	\$ 107,016.92	Light Revenues
ZONE 18 SHOTCRETE REPAIRS	\$ 492,865.08	\$ 5,344.32	Light Revenues
HYDROELECTRIC CANAL SPILLWAY 1	\$ -	\$ 45,597.03	Light Revenues
LINE CLEARANCE TREE TRIMMING	\$ 284,194.87	\$ 14,957.63	Light Revenues
HYDROELECTRIC CANAL ZONES 23 & 24 TREE REMOVAL	\$ -	\$ 29,187.00	Light Revenues
114 W PLUM ST OVERHEAD TO UNDERGROUND SERVICE RELOCATION	\$ -	\$ 7,628.10	Light Revenues
PHASE 1 WWTP UPGRADES	\$ 3,442,807.32	\$ 883,416.89	Grant Funds
2022-2025 SANITARY PIPE BURSTING	\$ 1,071,999.72	\$ 188,649.30	Wastewater Revenues
WOODLAND AVE STORMWATER JEFFERSON TO SUMMA	\$ 846,448.37	\$ 103,671.63	Stormwater Revenues
	\$ 6,412,581.72	\$ 1,673,024.34	

B. Other Commitments

Power Purchase Contracts – See Note 14, Section B.1 – Power Purchase Contracts

All significant encumbrances affected by the Utilities as of the end of 2022 have been disclosed.

NOTE 6 - PENSIONS - GOVERNMENTAL 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](#) for 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 1,179,496
Pension Asset	\$ 2,042,046
Deferred outflows of resources	2,010,880
Deferred inflows of resources	(2,102,731)
Pension expense/expenditures	(188,647)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

Or the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at <http://www.drs.wa.gov>.

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

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

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

- With a benefit that is reduced by three percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January - August 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	10.25%	6.36%
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 Utility Funds' actual PERS plan contributions were \$256,066 to PERS Plan 1 and \$433,830 to PERS Plan 2/3 for the year ended December 31, 2022.

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

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes: OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of Net Pension Liability

The table below presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 1,575,791	\$ 1,179,497	\$ 833,624
PERS 2/3	2,404,776	(2,042,046)	(5,695,391)

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

At June 30, 2022, the Utilities reported its proportionate share of the net pension liabilities as follows:

	Liability (Asset)
PERS 1	\$ 1,179,496
PERS 2/3	\$ (2,042,046)
Total	\$ (862,550)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.042596%	0.042361%	-0.000235%
PERS 2/3	0.054784%	0.055060%	0.000276%

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

Pension Expense

For the year ended December 31, 2022, the Utilities recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 509,479
PERS 2/3	(698,127)
Total	\$ (188,648)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the Utilities 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	-	(195,477)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	129,753	-
TOTAL	\$ 129,753	\$ (195,477)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 505,971	\$ (46,227)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,509,699)
Changes of assumptions	1,138,159	(298,011)
Changes in proportion and differences between contributions and proportionate share of contributions	19,631	(53,317)
Contributions subsequent to the measurement date	217,366	-
TOTAL	\$ 1,881,127	\$ (1,907,254)

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 505,971	\$ (46,227)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,705,176)
Changes of assumptions	1,138,159	(298,011)
Changes in proportion and differences between contributions and proportionate share of	19,631	(53,317)
Contributions subsequent to the measurement date	347,119	-
TOTAL	\$ 2,010,880	\$ (2,102,731)

Deferred outflows of resources related to pensions resulting from the Utility Funds' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PLAN SUMMARY AMORTIZATION SCHEDULE FOR ALL DEFERRED (INFLOWS) AND OUTFLOWS		
Year	PERS 1	PERS 2/3
2023	(82,721.90)	(477,463.70)
2024	(75,132.89)	(427,857.34)
2025	(94,251.93)	(507,315.98)
2026	56,629.47	687,262.81
2027	-	242,029.69
Thereafter	-	240,001.10
	\$ (195,477)	\$ (243,343)

NOTE 7 - PENSIONS - NON-GOVERNMENTAL PLANS

The Utility Funds provide pensions to certain employees through a cost-sharing, multiple-employer defined benefit pension plan subject to the requirements of the [GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans](#).

Union Sponsored Pension Plan

Under collective bargaining agreements (CBA's) between the City and the International Brotherhood of Teamsters Local Union #252 ("the Union"), the Utilities provide pension benefits to approximately twenty (20) full-time and qualifying part-time employees. The City and the Union have agreed to be bound by the provisions of the Agreement and Declaration of Trust of the Western Conference of Teamster Pension Trust Fund and agree that the Trustees of that Trust shall act as Trustees on their behalf.

Western Conference of Teamsters Pension Plan

The Western Conference of Teamsters Pension Plan ("the Plan") is a defined benefit pension plan that is administered by the Western Conference of Teamsters Pension Plan Trust. The Plan is a non-governmental, multiple-employer pension plan providing defined benefit pensions to eligible employees of both state and/or local government employers and employees of employers that are not state or local governmental employers. There is no predominant state or local governmental employer that has covered employees.

The Plan was established by the Western Conference of Teamsters Pension Plan Trust, Board of Trustees on April 26, 1955 to define the retirement, death and termination benefits to be provided by employer contributions to the Trust Fund, the conditions of eligibility for those benefits, the terms of payment, and other necessary or appropriate items. The Plan was initially determined by the Internal Revenue Service to be a "qualified plan" under section 401(a) of the Internal Revenue Code on May 5, 1955 and became effective May 15, 1955. Retirement benefits first became payable to eligible employees retiring effective June 1, 1957. The Plan has been amended from time to time since establishment.

The Western Conference of Teamsters Pension Plan Trust issues a publicly available annual audit report that includes financial statements and additional information for the Plan. The latest available annual audit report may be obtained by writing to:

Western Conference of Teamsters Pension Trust
Northwest/Rocky Mountain Area Administrative Office
2323 Eastlake Avenue East
Seattle, WA 98102-3305

Or the latest annual audit report may be downloaded from the Plan website at <http://www.wctpension.org>.

Contributions

Employer contributions to the Plan are determined pursuant to CBA's between the City and the Union for two (2) employee groups that perform work for the Utilities. In addition, covered employees for each employee group may collectively elect to defer a portion of their wages as contributions to the Plan, which are incorporated as amendments to the CBA. Employer contribution rates are established and may be amended during collective bargaining negotiations and are based on hours worked by each covered employee within each bargaining unit employee group. CBA's for both employee groups currently in effect expire December 31, 2024.

Required contribution rates by employee group (expressed as an amount per hour worked) currently in effect are:

PENSION PLAN CONTRIBUTION RATES				
Year	Stormwater Operations Staff		Utilities Administrative & Customer Service Staff	
	Employer	Employee	Employer	Employee
2022	0.15	2.60	0.15	1.50
2023	0.15	2.60	0.15	1.50
2024	0.15	2.60	0.15	1.50

The Utility Funds' required contributions to the Plan were \$3,284 for 2022.

Under provisions of the Agreement and Declaration of Trust, Employer Withdrawal Liability Rules and Procedures of the Western Conference of Teamsters Pension Trust Fund supplement to the Plan, the City is subject to liability upon full or partial withdrawal from the Plan.

Payables

Amounts due from the Utilities to the Plan at the end of the year were \$244, which was paid as required by the 10th of the month following the pay period month-end. The amounts due are attributed to wages earned during December 2022 and are considered required contributions under the Plan.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

The following represents the aggregate OPEB amounts for all plans subject to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, [*Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*](#), for the year 2022:

AGGREGATE OPEB AMOUNTS - ALL PLANS	
OPEB liabilities	\$ 656,332
Deferred outflows of resources	2,196
OPEB expense/expenditures	(131,164)

Public Employees Benefits Board (PEBB)

Plan Description

The Utility Funds are participants in Washington State's PEBB program, a multi-employer defined benefit plan, administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees, retirees, and their dependents. The PEBB is authorized to design plan benefits and determine the terms and conditions of employee and retiree participation and coverage and establishes eligibility criteria for both active employees and retirees. The PEBB OPEB plan is funded on a pay-as-you-go basis.

Benefits Provided

The benefits provided by the PEBB to pre-age 65 and post-age 65 retirees and spouses include both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by post-age 65 members enrolled in Medicare Parts A and B. The PEBB determines the amount of explicit subsidy annually. As of January 1, 2020, the explicit subsidy is the lesser of \$183 or 50% of the monthly premiums. The explicit subsidy is expected to remain at this level through 2022.

The implicit subsidy results from the inclusion of active employees and non-Medicare eligible retirees (pre-age 65) in the same cost pool when determining premiums. The implicit subsidy is the difference between the total cost of medical benefits provided and the premiums paid by each member. There is an implicit subsidy paid by active employees because the premiums paid by the retirees are lower than they would have been if the retirees were insured separately.

Employees Covered by Benefit Terms

As of the measurement date of June 30, 2022, employees covered by the plan were as follows:

PEBB OPEB PLAN - COVERED EMPLOYEES	
Inactive employees (retirees)	2
Active employees	16

The PEBB retiree OPEB plan is available to employees who elect, at the time they retire, to continue coverage and pay the administratively established premiums under the provisions of the State retirement system to which they belong. All Utilities OPEB plan member employees are covered under the State PERS retirement system.

Trust Asset Information

The PEBB plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of GASB 75. In order to meet the requirements of paragraph 4, the trust must only pay benefits for post-employment healthcare. The PEBB plan provides healthcare benefits to both active employees and retirees.

Contributions

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits. The amount paid by the Utilities for OPEB as of the measurement date of June 30, 2022 was \$11,662.

Total OPEB Liability

The Utilities elected to use the Alternative Measurement Method (AMM) to calculate its 2022 OPEB liability in lieu of an actuarial valuation. Use of the AMM is permitted by GASB 75 for employers with OPEB plans that have fewer

than one hundred total plan members. A specific AMM tool created by the Washington State Office of the State Actuary (OSA) was used by the Utilities for this purpose.

As of June 30, 2022, the Utilities' total PEBB Plan OPEB liability is \$656,332.

Assumptions and Other Inputs

The total PEBB OPEB plan liability was determined using the following assumptions and other inputs, unless otherwise specified. These assumptions and other inputs, unless stated otherwise, are consistent with the 2018 PEBB OPEB Actuarial Valuation Report published by the OSA:

PEBB OPEB PLAN - Methodology	
Actuarial valuation date	6/30/2022
Actuarial measurement date	6/30/2022
Actuarial cost method	Entry Age
Amortization method	Recognized Immediately
Asset valuation method	N/A (No Assets)

PEBB OPEB PLAN - Assumptions	
Discount rate:*	
Beginning of measurement year	2.16%
End of measurement year	3.54%
Projected salary changes	3.5% + Service-Based Increases
Healthcare trend rates**	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality rates:	
Base mortality table	PubG.H-2010 (General)
Age setback	0 years
Mortality improvements	MP-2017 Long-Term Rates
Projection period	Generational
Inflation rate	2.75%
Post-retirement participation %	65%
Percentage with spouse coverage	45%

*Source: Bond Buyer General Obligation 20-Bond Municipal Index

**Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see the PEBB Healthcare Trend Assumptions webpage.

In addition, specific assumptions were made by the OSA in the development of the AMM online tool that vary from the underlying GASB 75 actuarial valuation that the OSA performed for the State of Washington. More information can be obtained from the OSA website at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

Sensitivity of the Total OPEB Liability

The following table presents the Total OPEB Liability calculated using the current Discount Rate and the current Healthcare Cost Trend Rate, assuming a 1% increase and a 1% decrease to each of these current rates.

PEBB OPEB PLAN - Sensitivity Analysis				
TOTAL OPEB LIABILITY		1% Decrease	Current	1% Increase
Discount Rate - current rate 2.16%		\$ 776,054	\$ 656,332	\$ 560,520
Healthcare Cost Trend Rate - current rate ~2-11%		551,034	656,332	791,331

Changes in the Total OPEB Liability

PEBB OPEB PLAN - Changes in the Total OPEB Liability	
Total OPEB Liability at 6/30/2021	\$ 799,158
Service cost	39,785
Interest	17,996
Changes in experience data & as	(188,945)
Changes in benefit terms	-
Benefit payments	(11,662)
Other changes	-
Total OPEB Liability at 6/30/2022	\$ 656,332

Total OPEB Expense for 2022 is \$131,164.

Deferred Outflows of Resources of \$2,196 resulting from payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

NOTE 9 - RISK MANAGEMENT

Liability, Property, Automobile and Fidelity Insurance

The City of Centralia 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 over 165 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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.

During the past three years, there have been no settlements that exceeded coverage limits.

NOTE 10 - LONG-TERM DEBT

The Electric utility issues revenue bonds to finance the acquisition and construction of Electric and Water utility plant assets. Bonded indebtedness has also been entered into in prior years to advance refund several revenue bonds. Revenue bonds are repaid from applicable utility revenues. The Water, Wastewater, and Stormwater utilities are also liable for loans entered into for the acquisition and construction of Water, Wastewater, and Stormwater utility plant assets. These loans are considered obligations of the applicable utilities and are being repaid with utility revenues.

As required by bond indentures and loan agreements, the Utilities have restricted assets of \$2,057,510 in sinking funds and loan reserves. The Utilities are in compliance with all bond covenants and loan agreements.

A. Public Placement and Direct Placement Revenue Bonds

The Electric utility has issued revenue bonds, to finance the acquisition and construction of major utility infrastructure. The bonds are secured by their utility revenues, which are pledged resources for timely payment of bond principal and interest when due.

Significant events of default for Public Placement bonds issued include failure to make punctual payment of bond principal and/or interest or failure to purchase or redeem term bonds when due. Within 90 days of a delinquency, bond owners may select a trustee to act on their behalf within the terms listed in the bond ordinance. For Direct Placement bonds, the bond ordinances show no events of default. Interest continues to accrue on outstanding bonds in the event of any delinquency at the applicable interest rate until the bond is paid.

Outstanding bonds are reported as current and non-current liabilities and are shown in the Statement of Net Position net of premiums and/or discounts. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt discount in the Statement of Revenues, Expenses and Changes in Net Position. The Utilities are in compliance with Federal arbitrage regulations.

Revenue bonds currently outstanding are as follows:

Purpose	Issue Type	Maturity Range	Interest Rates	Original Amount	2022 Principal & Interest
Electric Construction Projects					
- Refunding #1	Public Placement	3/17/2021 to 12/1/2030	5.00%	5,400,000	675,000
Electric Construction Projects					
- Refunding #2	Public Placement	03/17/2021 - 12/01/2026	5.00%	4,970,000	955,750
Total Electric Revenue Bonds				10,370,000	1,630,750
TOTAL ALL REVENUE BONDS				\$ 10,370,000	\$ 1,630,750

Public Placement revenue bond debt service payment requirements to maturity are as follows:

Year Ending December 31	Electric Revenue Bonds	
	Principal	Interest
2023	1,245,000	386,500
2024	1,305,000	324,250
2025	1,365,000	259,000
2026	1,430,000	190,750
2027	555,000	119,250
2028 - 2031	1,830,000	186,000
TOTALS	\$ 7,730,000	\$ 1,465,750

B. Direct Borrowings from Washington State agencies

The Water, Wastewater, and Stormwater utilities have acquired low-interest loans through the Washington State Departments of Ecology and Commerce for approved public works projects with repayments from Water, Wastewater, and Stormwater obligated utility revenues. Loan programs include the Washington State Public Works Trust Fund (PWTF) and the Washington State Revolving Fund (SRF).

Significant events of default on Direct Borrowings include payment delinquencies in excess of 30 days or 60 days, depending on the specific loan agreement. Late payment penalties assessed on delinquencies amount to approximately 1% per month. In addition, lending agency boards may notify other creditors, the State of Washington, and the United States Government of delinquency or may accelerate repayment of all principal and interest as immediately due and payable, including reasonable legal fees, depending on specific loan terms.

Direct Borrowings from Washington State agencies currently outstanding are as follows:

Fund - Purpose - Loan Type	Maturity Range	Interest Rates	Original Amount	2022
				Principal & Interest
Water - Ham Hill Water - SRF	7/30/04 to 10/1/23	1%	624,240	33,512
Water - Port North Ext - SRF	8/11/05 to 10/1/24	1%	2,197,866	119,147
Total Water Loans			2,822,106	152,659
Sewer - Cooks Hill Sewer - PWTF	7/4/04 to 6/1/24	1%	1,192,500	63,882
Sewer - Treatment Plant A - SRF	11/1/05 to 11/1/24	0%	33,009,836	1,692,812
Sewer - Treatment Plant B - SRF	8/31/06 to 8/31/26	0%	591,946	30,357
Sewer - I&I Reduction Proj - SRF	12/31/13 to 12/31/32	2.50%	3,003,050	193,860
Total Sewer Loans			37,797,332	1,980,911
Storm - I&I Reduction Proj - SRF	12/31/13 to 12/31/32	3%	70,067	4,523
Total Storm Loans			70,067	4,523
TOTAL ALL SRF & PWTF LOANS			\$ 40,689,505	\$ 2,138,093

Direct Borrowings from Washington State agencies debt service requirements to maturity are as follows:

Year Ending December 31	Water Loans		Wastewater Loans		Stormwater Loans		Total Direct Borrowings from Washington State agencies	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	148,532	2,642	1,938,072	42,523	3,546	977	2,090,150	46,143
2024	115,677	1,157	1,941,915	38,365	3,635	888	2,061,228	40,410
2025	-	-	190,106	34,110	3,727	796	193,833	34,906
2026	-	-	194,146	30,071	3,822	702	197,967	30,772
2027	-	-	167,932	25,929	3,918	605	171,850	26,534
2028-2032	-	-	905,548	63,753	21,128	1,487	926,676	65,241
2033-2037	-	-	-	-	-	-	-	-
TOTALS	\$ 264,209	\$ 3,799	\$ 5,337,719	\$ 234,752	\$ 39,776	\$ 5,455	\$ 5,641,704	\$ 244,006

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Revenue bonds (net of discounts/premiums):					
Public Placement	\$ 10,538,423	\$ -	(1,421,131)	\$ 9,117,292	\$ 1,481,132
Direct Placement	-	\$ -	-	-	-
Direct Borrowings	7,864,435	-	(2,222,730)	5,641,705	2,027,213
Other post-employment benefits	799,158	-	(142,826)	656,332	4,392
Pensions	520,202	659,295	-	1,179,497	-
Compensated absences/ Excess compensation	1,062,790	3,152	(117,178)	948,764	47,438
Total long-term liabilities	\$ 20,785,009	\$ 662,447	\$ (3,903,865)	\$ 17,543,590	\$ 3,560,175

NOTE 12 - CONTINGENCIES AND LITIGATION

The Utilities have recorded in their 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 Utilities will have to make payment. In the opinion of management, the Utilities' insurance policies and/or reserves are adequate to pay all known pending claims.

The Utilities may participate in a number of Federal and/or 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. Utility management believes such disallowances, if any, to be immaterial.

NOTE 13 - INTERFUND LOANS

From 2004 to 2007, the Wastewater Fund paid \$1,640,000 to the General Fund for the purchase of a watershed protection intangible asset. Since 2005, the City and Washington State Auditor's Office (SAO) have had conflicting opinions regarding the valuation of and accounting for the watershed protection intangible asset. In January 2009, an agreement was reached between the City and SAO to resolve the past findings regarding the interfund payments. In August 2009, the City Council passed a resolution ratifying the agreement whereby the intangible asset was removed from the Wastewater Fund and \$1,640,000 is repaid to the Wastewater Fund by the General Fund via an interfund loan. The non-interest bearing interfund loan is for twenty years and the \$82,000 annual payment from the General Fund to the Wastewater Fund commenced in 2010 with a 2030 payoff.

Interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
General	Wastewater	\$ 656,000	\$ -	\$ 82,000	\$ 574,000

NOTE 14 – CERTAIN ASSET RETIREMENT OBLIGATIONS

The Utilities have evaluated potential asset retirement obligations (ARO) associated with the retirement of tangible capital assets and has identified the following:

- Decommissioning of the Yelm Hydroelectric Generation Facility.
- Decommissioning of the Water Resource Protection Wells.
- Decommissioning of the Wastewater Treatment Facility.

The Yelm Hydroelectric Generation Facility and the Wastewater Treatment Facility are expected to be operated and maintained into perpetuity. As the Utilities cannot estimate the timing or extent of the obligation associated with these assets, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities have not been recorded for retirement activities associated with these assets. An ARO will be recorded if future events warrant any changes.

The retirement obligation liability for the Water Resource Protection Wells has been determined to be immaterial.

The Utilities do not have any recorded ARO's as of December 31, 2022.

NOTE 15 - OTHER DISCLOSURES

A. Accounting and Reporting Changes

1. Reporting Changes

- Financial Reporting** - Beginning with Fiscal Year 2011, the City is required to report all funds, including the Utilities, on a combined single basis and has chosen to do so on a cash basis. Prior to 2011 and for the prior four years, the City had issued two separate reports: one report for the Utilities prepared on a GAAP basis and another report for the governmental operations prepared on a cash basis. The City plans to continue recording transactions for the Utilities on a GAAP basis and make appropriate re-statements to report on the Cash Basis at each year-end. To comply with other external requirements, the City will also issue separate GAAP financial statements for the Utilities.
- Capital Asset Policy** - A citywide Capital Asset Policy was adopted by the City Council on July 9, 2019. The Utilities have implemented these policy changes effective beginning in 2018 for capital asset additions and related depreciation calculations. Existing capital asset records are undergoing a process of continuous improvement.
- GASB Implementation**
In June 2017, the GASB issued [*GASB Statement No. 87 – Leases*](#). The objectives of this Statement is to better meet the information needs of the financial statement user by improving accounting and financial reporting for leases by governments. This statement now requires the recognition of certain lease assets and liability that were previously classified as operating leases and recognize as inflow or outflows of resources based on payment provisions of the contract. The Utilities have implemented

GASB Statement 87 effective with the 2022 financial statements and there was a change in reporting as we now have leased assets to recognize.

In March 2022, the GASB issued [*GASB Statement No. 93 – Replacement of Interbank Offered Rates*](#). The objective of this statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR (interbank offered rate). The Utilities have implemented GASB Statement 93 effective with the 2022 financial statements.

In June 2020, the GASB issued [*GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*](#). The objective of this statement is: (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

B. Other

1. Power Purchase Contracts

Power for sale to customers of the Electric Fund comes from a combination of purchases and the City-owned and operated Yelm Hydroelectric Project. The Electric Fund is a statutory preference customer of the Bonneville Power Administration (BPA), an agency of the United States Department of Energy. Under the current power purchase contract with BPA, which expires September 30, 2028, the Utility is allocated a fixed percentage of available low cost Federal power (Tier 1) from BPA.

Under the contract, the Utility is required to inform BPA how it plans to serve its load above the allocation amount (AHWM). The City has entered into a power purchase commitment agreement with Northwest Intergovernmental Energy Supply (NIES), a Northwest Requirements Utilities related organization, to supply power needs above the BPA Tier 1 amount using non-Federal sources through September 30, 2023.

In 2022, BPA and NIES provided 99.8% of the power supply, with the remainder produced by the Yelm Hydroelectric Project. Charges for the BPA purchased power and transmission were \$9,795,051.59 in 2022. Charges for non-Federal AHWM power purchases from NIES amounted to \$1,477,125 in 2022.

In January 2022 there was a wind and flood event which was declared a disaster area by President Biden as a federally declared disaster area. The City of Centralia Yelm Hydro-project canal lining was damaged by high-water cracking the canal liner. The hydro-project generation was shut down because of the damaged canal from January 6, 2022 until repairs and testing can be completed. Startup is anticipated in early 2023. FEMA Funds and Electric Fund resources are paying for the repairs.

2. COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the city is unknown at this time.

C. Subsequent Events

1. American Rescue Plan Act

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021. ARPA established the Coronavirus State Fiscal Relief Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The intent of this program is to provide support to state, local, territorial, and tribal governments in response to the economic and public health impacts of COVID-19, and in their efforts, to contain impacts on their communities, residents, and businesses.

The City received a first round Non-entitlement unit of local government (NEU) from the Coronavirus Local Fiscal Recovery Fund in the amount of \$2,476,740. An additional \$2,476,740 in funding was received in mid-2022.

REQUIRED SUPPLEMENTARY INFORMATION - STATE SPONSORED PENSION PLANS

City of Centralia - Utility Funds Schedule of Proportionate Share of the Net Pension Liability (Asset) PERS Plan 1 As of June 30, 2022 Last 6 Fiscal Years*								
	2015	2016	2017	2018	2019	2020	2021	2022
Employer's (entire City) proportion of the net pension liability	0.075450%	0.071207%	0.070987%	0.067145%	0.066301%	0.064568%	0.064692%	0.063311%
Employer's (entire City) proportionate share of the net pension liability	\$ 3,946,737	\$ 3,824,151	\$ 3,368,389	\$ 2,998,719	\$ 2,549,509	\$ 2,279,599	\$ 790,041	\$ 1,762,811
Utilities' proportion of entire City	70.897%	70.074%	70.004%	68.468%	66.977%	65.856%	65.845%	66.910%
Utilities' proportion of the net pension liability	0.053492%	0.049898%	0.049694%	0.045973%	0.044406%	0.042522%	0.042596%	0.042361%
Utilities' proportionate share of the net pension liability	\$ 2,798,111	\$ 2,679,735	\$ 2,358,008	\$ 2,053,163	\$ 1,707,585	\$ 1,501,253	\$ 520,202	\$ 1,179,497
Utilities' covered payroll	\$ 5,850,178	\$ 5,901,725	\$ 6,157,997	\$ 6,102,087	\$ 6,244,479	\$ 6,475,754	\$ 6,485,897	\$ 6,728,287
Utilities' proportionate share of the net pension liability as a percentage of covered payroll	47.83%	45.41%	38.29%	33.65%	27.35%	23.18%	8.02%	17.53%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

REQUIRED SUPPLEMENTARY INFORMATION - STATE SPONSORED PENSION PLANS

City of Centralia - Utility Funds

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS Plan 2/3

As of June 30, 2022

Last 6 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's (entire City) proportion of the net pension liability/asset	0.089115%	0.087414%	0.087864%	0.084628%	0.085657%	0.083671%	0.083201%	0.082296%
Employer's (entire City) proportionate share of the net pension liability/(asset)	\$ 3,184,130	\$ 4,401,226	\$ 3,052,854	\$ 1,444,948	\$ 832,021	\$ 1,070,104	\$ (8,339,461)	\$ (3,051,199)
Utilities' proportion of entire City	69.949%	70.270%	70.258%	68.564%	66.977%	65.856%	65.845%	66.926%
Utilities' proportion of the net pension liability/asset	0.062335%	0.061426%	0.061731%	0.058024%	0.057370%	0.055102%	0.054784%	0.055077%
Utilities' proportionate share of the net pension liability/(asset)	\$ 2,227,255	\$ 3,092,742	\$ 2,144,874	\$ 990,714	\$ 557,263	\$ 704,728	\$ (5,457,338)	\$ (2,042,046)
Utilities' covered payroll	\$ 5,554,517	\$ 5,802,436	\$ 6,068,600	\$ 6,077,311	\$ 6,244,479	\$ 6,475,754	\$ 6,485,897	\$ 6,728,287
Utilities' proportionate share of the net pension liability/(asset) as a percentage of covered payroll	40.10%	53.30%	35.34%	16.30%	8.92%	10.88%	-84.14%	-30.35%
Plan fiduciary net position as a percentage of the total pension liability/asset	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

REQUIRED SUPPLEMENTARY INFORMATION - STATE SPONSORED PENSION PLANS

City of Centralia - Utility Funds Schedule of Employer Contributions PERS Plan 1 As of December 31, 2022 Last 6 Fiscal Years*								
	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$ 268,032	\$ 292,659	\$ 310,760	\$ 304,267	\$ 320,057	\$ 310,828	\$ 287,330	\$ 256,066
Contributions in relation to the statutorily or contractually required contributions	(268,032)	(292,659)	(310,760)	(304,267)	(320,057)	(310,828)	(287,330)	(256,066)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,922,047	\$ 6,000,932	\$ 6,252,496	\$ 6,009,275	\$ 6,474,991	\$ 6,479,487	\$ 6,591,764	\$ 6,816,725
Contributions as a percentage of covered payroll	4.53%	4.88%	4.97%	5.06%	4.94%	4.80%	4.36%	3.76%
Notes to Schedule: *Until a full 10-year trend is compiled, the Utilities will present information only for those years for which information is available.								

City of Centralia - Utility Funds Schedule of Employer Contributions PERS Plan 2/3 As of December 31, 2022 Last 6 Fiscal Years*								
	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$ 320,791	\$ 368,057	\$ 424,672	\$ 450,691	\$ 500,012	\$ 513,176	\$ 478,053	\$ 433,830
Contributions in relation to the statutorily or contractually required contributions	(320,791)	(368,057)	(424,672)	(450,691)	(500,012)	(513,176)	(478,053)	(433,830)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,692,328	\$ 5,902,240	\$ 6,187,464	\$ 6,009,275	\$ 6,474,991	\$ 6,479,487	\$ 6,591,764	\$ 6,816,725
Contributions as a percentage of covered payroll	5.64%	6.24%	6.86%	7.50%	7.72%	7.92%	7.25%	6.36%
Notes to Schedule: *Until a full 10-year trend is compiled, the Utilities will present information only for those years for which information is available.								

REQUIRED SUPPLEMENTARY INFORMATION -NON-GOVERNMENTAL PENSION PLANS

City of Centralia - Utility Funds Schedule of Employer's Required Contributions Western Conference of Teamsters Pension Plan Trust As of December 31, 2022 Last 7 Fiscal Years*				
	Year		Contributions	
	2016		\$ 2,353	
	2017		2,317	
	2018		3,563	
	2019		3,205	
	2020		2,912	
	2021		3,570	
	2022		3,284	
Notes to Schedule:				
<p>*Until a full 10-year trend is compiled, the Utilities will present information only for those years for which information is available.</p>				

REQUIRED SUPPLEMENTARY INFORMATION -OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

City of Centralia - Utility Funds

Schedule of Changes in Total OPEB Liability and Related Ratios

PEBB OPEB Plan

Year Ended June 30, 2022

Last 5 Fiscal Years*

	2018	2019	2020	2021	2022
Total OPEB Liability - beginning	\$ -	\$ 676,992	\$ 634,431	\$ 853,831	\$ 799,158
Service cost	676,992	33,523	36,286	41,871	39,785
Interest	-	27,434	23,419	19,708	17,996
Changes in experience data & assumptions	-	(100,251)	162,932	(108,358)	(188,945)
Changes in benefit terms	-	-	-	-	-
Benefit payments	-	(3,267)	(3,237)	(7,894)	(11,662)
Other changes	-	-	-	-	-
Total OPEB Liability - ending	\$ 676,992	\$ 634,431	\$ 853,831	\$ 799,158	\$ 656,332
Covered-employee payroll	644,851	1,389,961	1,484,936	1,576,996	1,421,604
Total OPEB liability as a % of covered payroll	104.98%	45.64%	57.50%	50.68%	46.17%
Notes to Schedule:					
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.					
OPEB Plan membership began January 1, 2018.					
*Beginning with the current fiscal year, and until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available on a forward-looking basis.					

CITY OF CENTRALIA UTILITIES
Notes to Required Supplementary Information
December 31, 2022

NOTE 1 - SIGNIFICANT FACTORS AFFECTING TRENDS

Under both state-sponsored and non-governmental pension plans, the benefit terms, the number of employees covered under the benefit terms, required contribution rates and use of assumptions remained largely unchanged during the period(s) reported.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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