



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Richland

For the period January 1, 2023 through December 31, 2023

Published September 30, 2024

Report No. 1035609



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

September 30, 2024

Mayor and City Council
City of Richland
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Richland January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Richland January 1, 2023 through December 31, 2023

Mayor and City Council
City of Richland
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

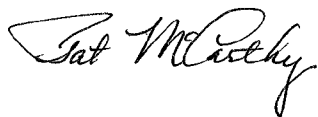
REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2024

INDEPENDENT AUDITOR'S REPORT

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

City of Richland
January 1, 2023 through December 31, 2023

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Richland, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 19, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Richland January 1, 2023 through December 31, 2023

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2024

FINANCIAL SECTION

City of Richland January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Activities – 2023

Governmental Funds Balance Sheet – 2023

Reconciliation of Balance Sheet to the Statement of Net Position – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2023

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2023

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
– General Fund – 2023

Statement of Net Position – Proprietary Funds – 2023

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2023

Statement of Cash Flows – Proprietary Funds – 2023

Statement of Fiduciary Net Position – Custodial Funds – 2023

Statement of Changes in Fiduciary Net Position – Custodial Funds – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Post Employment
Healthcare Plan, Firefighters and Police – 2023

Schedule of Changes in Total Pension Liability and Related Ratios – Fire and Police OPEB
– 2023

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2023 Annual Comprehensive Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

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

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

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

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



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

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



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

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

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

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

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

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

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

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

Government-Wide Financial Statements present the City's overall financial position as of December 31, 2023, and the activities that resulted in that position. It further provides the financial position and activities of the component unit. The financial position is found in the Statement of Net Position, while the activities resulting in the ending financial position are found in the Statement of Activities. Governmental and business-type activities are aggregated in their own respective columns.

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

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

This discussion and analysis provide information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2023.

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

Condensed Statement of Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2023	2022	2023	2022	2023	2022
Current & other assets	\$ 158,721,829	\$ 152,947,824	\$ 91,201,182	\$ 71,078,859	\$ 249,923,011	\$ 224,026,683
Restricted cash and investments			23,530,961	34,659,805	23,530,961	34,659,805
Capital assets, net	213,263,324	206,238,246	358,146,512	337,162,510	571,409,836	543,400,756
Total assets	371,985,153	359,186,070	472,878,655	442,901,174	844,863,808	802,087,244
Deferred outflows of resources	11,486,915	11,103,740	6,090,553	6,488,144	17,577,468	17,591,884
Current liabilities	17,208,858	13,839,805	17,662,519	17,655,424	34,871,377	31,495,230
Long-term liabilities outstanding	52,648,604	60,434,613	116,288,273	114,752,360	168,936,877	175,186,973
Total liabilities	69,857,462	74,274,418	133,950,792	132,407,784	203,808,254	206,682,203
Deferred inflows of resources	20,223,792	25,907,989	4,871,175	7,662,972	25,094,967	33,570,961
Net Position:						
Net investment in capital assets	172,504,756	163,201,508	256,105,422	231,842,676	428,610,178	395,044,184
Restricted	58,327,151	57,540,069	31,369,028	32,637,350	89,696,179	90,177,419
Unrestricted	62,558,906	49,365,827	52,672,792	44,838,536	115,231,698	94,204,363
Total net position	\$ 293,390,813	\$ 270,107,404	\$ 340,147,242	\$ 309,318,562	\$ 633,538,055	\$ 579,425,966

Amounts may not foot exactly due to rounding



City of Richland, Washington
Annual Comprehensive Financial Report
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Condensed Statement of Activities

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2023	2022	2023	2022	2023	2022
REVENUES:						
Program Revenues:						
Charges for services	\$ 25,761,939	\$ 22,672,510	\$ 130,529,743	\$ 130,057,443	\$ 156,291,682	\$ 152,729,953
Operating grants & contributions	6,488,847	2,476,719	834,515	1,183,261	7,323,362	3,659,981
Capital grants & contributions	5,111,623	4,600,065	4,835,632	6,106,815	9,947,255	10,706,880
General Revenues:						
Property taxes	21,638,312	20,870,527			21,638,312	20,870,527
Other taxes	46,229,554	46,675,796			46,229,554	46,675,796
Other	6,440,087	(3,094,411)	4,978,305	(2,777,462)	11,418,392	(5,871,873)
Total revenues	111,670,362	94,201,206	141,178,195	134,570,057	252,848,557	228,771,263
EXPENSES:						
Judicial	775,285	556,123			775,285	556,123
General government	19,297,418	17,905,125			19,297,418	17,905,125
Public safety	36,626,905	29,068,229			36,626,905	29,068,229
Transportation	12,561,427	11,824,546			12,561,427	11,824,546
Health & human services	27,310	9,053			27,310	9,053
Economic environment	5,960,588	6,103,614			5,960,588	6,103,614
Culture & recreation	10,446,145	10,221,142			10,446,145	10,221,142
Physical Environment	1,233,360	101,323				
Interest on long-term debt	1,229,343	1,322,491			1,229,343	1,322,491
Electric			68,670,617	72,351,881	68,670,617	72,351,881
Water			13,044,728	12,511,940	13,044,728	12,511,940
Wastewater			9,285,780	9,170,006	9,285,780	9,170,006
Solid waste			9,628,268	9,246,074	9,628,268	9,246,074
Stormwater			1,701,907	1,638,167	1,701,907	1,638,167
Golf course			2,171,620	2,097,267	2,171,620	2,097,267
Medical services			7,019,981	6,608,159	7,019,981	6,608,159
Broadband			304,112	294,241	304,112	294,241
Total expenses	88,157,781	77,111,645	111,827,013	113,917,734	199,984,794	191,029,379
Excess/(deficiency) before transfers	23,512,581	17,089,561	29,351,182	20,652,323	52,863,763	37,741,884
Transfers	(1,227,498)	(2,173,755)	1,227,498	2,173,755		
Change in net position	22,285,083	14,915,806	30,578,680	22,826,079	52,863,763	37,741,885
Net position, January 1	270,107,404	255,050,075	309,318,563	286,463,771	579,425,967	541,513,846
Prior period adjustments	998,328	141,523	250,000	28,714	1,248,328	170,237
Net position, December 31	\$ 293,390,815	\$ 270,107,404	\$ 340,147,242	\$ 309,318,563	\$ 633,538,057	\$ 579,425,967

Amounts may not foot exactly due to rounding

FINANCIAL RESULTS

Government-Wide Activities

Overall, the City's 2023 activities resulted in a \$52.9 million increase in net position before applying prior period adjustments. Adjustments to beginning net position reflecting prior period activity resulted in an increase of \$1,248,328 and did not have a significant effect on the total increase in net position. A discussion of these adjustments can be found under the heading "Prior Period Adjustments" in Note 1 to the Financial Statements. By comparison, net position increased \$37.7 million in 2022 before prior period adjustments. The continued growth from one year to the next reflects the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2023, \$115.2 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities' total net position increased \$23.3 million, while net position increased \$30.8 million as a result of business-type activities.

Total revenues on the Government-Wide Statement of Activities were \$24.1 million higher than the prior year. Governmental revenues were \$17.5 million higher than the prior year, while business-type activity revenues were \$6.6 million higher. In the Business-type activities the largest variances were: a \$7.9 million increase in recognized investment income as a result of required year-end fair value adjustments; and a nearly \$1.3 million decrease in capital grants & contributions, mainly in the Water and Wastewater Utility Funds. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.



Governmental activities' charges for services increased about \$3.1 million over the previous year. This was largely due to increases in the General Government function for charges allocated to other departments and a class-action settlement received for PCB pollution; increases in Public Safety for personnel fees charged to BCES; and in the Transportation function for traffic impact fees and for incentive funding for an LED lighting retrofit.

*...the City's 2023
activities resulted in a
\$52.9 million increase in
net position ...*

Governmental activities' operating grants and contributions increased \$4.0 million over the prior year. This was mainly due to the recognition in revenues of nearly \$4.3 million in COVID ARPA revenue replacement funding that was spent in 2023 to support construction of a new fire station in the Badger Mountain South area.

Governmental activities' capital grants and contributions increased \$511,558 from the prior year, almost entirely due to Transportation projects that are grant-funded. Capital grants typically fluctuate depending upon the projects that are being pursued.



In the general revenues section of the Statement of Activities, total tax revenues increased by \$321,543 over the prior year. New construction remained steady, resulting in an increased tax base and a \$767,785 increase in property tax revenues. Sales tax revenue continued to grow, posting a \$833,480 increase due to increases in sales activity. It should be noted, however that such growth was not as high as prior years. Utility taxes collected increased \$256,461 over the prior year, which was a smaller increase than the change from 2021-2022. Real Estate Excise Tax (REET) decreased \$1.7 million from the year before, putting this revenue stream closer to 2020 levels. REET revenue is highly dependent on the real estate market, and can fluctuate widely if large property transactions take place. Minor increases and decreases in other taxes occurred, rounding out the rest of the change in tax revenues.

Other general revenues in governmental activities include investment earnings and gains on disposition of assets. Investment earnings increased by over \$8.7 million, mainly as a result of gains recognized on investments when they were adjusted to fair market values (fair values) as of the end of the year. This reversed a \$3.5 million decrease reported the prior year. Market conditions can vary widely over the course of a year. In 2022, interest rates on short-term investments increased dramatically in response to the Federal Reserve's monetary policy, resulting in a decrease in the value of existing investments in municipal

bonds and federal debt. In 2023 interest rates held steadier, and the value of the City's investments grew as the financial markets corrected. Because the City holds its investments until maturity, these gains and losses will reverse in subsequent periods.

Gain on sale of land held for resale in 2023 was \$773,795 higher than the prior year. This revenue is highly variable depending on the interest of potential buyers in acquiring land located primarily in the City's industrial area.

Salaries and benefits are the most significant expense of the City, aside from wholesale power purchases. On the City-wide Statement of Activities, Governmental-type activity expenses were higher than the prior year, showing an \$11 million increase, while business-type activity expenses decreased by \$2.1 million. Looking at the changes in Governmental activities' expenses by functional category, we noted the following variances in comparison with the prior year: General government expenses increased by nearly \$1.4 million, Public safety expenses increased nearly \$7.6 million, and Physical environment expenses increased by \$1.1 million. The largest part of these changes in expenses was due to the change in the amount of expense reductions generated by incorporating Fire and Police OPEB actuarial valuations into the government-wide statements, versus the prior year. The 2022 adjustment reduced public safety expenditures by \$3.8 million, while the 2023 adjustment only decreased expenditures by \$237,738. Most of the rest of the year over year increase can be found in salaries and benefits expenditures.

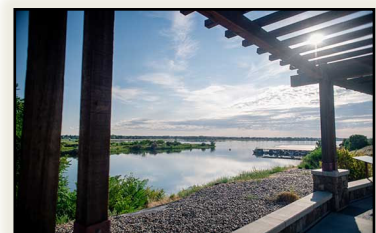
In business-type activities, electric utility expenses decreased \$3.7 million; while water utility expenses increased \$532,788; sewer utility expenses increased \$115,774; solid waste utility expenses increased \$382,194; stormwater expenses increased \$63,740; golf course expenses increased \$74,353; medical services utility expenses increased \$411,822 million; and broadband expenses increased \$9,871. More detail on activities of the major business-type funds is presented later in this discussion and analysis.

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

Governmental Activities

Governmental activities account for \$293.4 million in total net position at year end, a \$23.3 million increase over the prior year. The unrestricted portion of ending net position was \$62.5 million. The primary contributors to governmental activities' total net position are usually capital and debt-financed capital activities, as well as operating activities found in the City's General Fund.

Capital and Debt-Financed Capital: Governmental activities' net investment in capital assets increased \$9.3 million in 2023. This balance reflects not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$203.8 million in total city liabilities, \$31.5 million or 15.6% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$5.1 million in general obligation debt is voter approved and supported by a special property tax levy, while the remaining \$26.7 million is non-voted or "Councilmanic" debt.



The City maintains strong credit ratings on its general obligation debt with a Standard & Poor's rating of

AA+ on Unlimited Tax General Obligation Debt and Limited Tax General Obligation Debt. For more information on long-term debt see Note 4 in the Notes to the Financial Statements.

Improvements to parks, public safety and transportation infrastructure remain a high priority for the City. City facilities have also risen in priority in the last few years, especially as the population increases and the City's borders continue to expand. Following are some of the major governmental capital outlays for fiscal year 2023. For more information on capital assets see Note 3 in the Notes to the Financial Statements.

- The City began construction on Fire Station #76, located in the Badger Mountain South community and spent \$3.4 million on the project in 2023. This public safety facility will provide initial emergency medical, law enforcement and fire response capability to the citizens of Southwest Richland in the Badger South Development as well as the Dallas Rd, I-82 and Reata corridors.
- The City spent \$967,764 in 2023 on construction of a new parking lot at Badger Mountain community park, completed with storm drainage, landscaping and lighting. Badger Mountain Park is a regional park and includes several popular tourist amenities, such as a lighted multipurpose field, a dog park, a water splash pad, and three well maintained little league fields centrally located on the Keene Road corridor. Existing north gravel parking lot generated dust and was uneven in places creating access issues. New paved parking lot better meets the community's expectation for the facility and enhances tourism opportunities in the area.
- The City completed demolition and abatement work on the former Economy Inn location at 515 George Washington Way. The land was acquired in 2022 to accommodate the anticipated need for additional public safety response facilities to meet current and future demands. The City spent \$450,602 on the project in 2023.
- The City owns and operates a number of parks and facilities and strives to continuously renew and improve them. Some of the major improvement projects in 2023 included \$335,986 spent on Richland Community Center lobby remodeling, \$272,176 spent on Badger Mountain trail improvements and \$231,336 spent on Richland Public Library STEAM space improvements.
- The City collaborated with the National Fitness Campaign to purchase and install an innovative fitness court studio that will provide free outdoor fitness equipment and self-serve fitness coaching and education. The new fitness facility will be located in Howard Amon Park near Richland Community Center. 2023 project work included installation of a painted concrete pad and purchasing equipment from National Fitness Campaign, totaling \$233,915. The project is scheduled to be completed in 2024.
- The City spent \$3.7 million on the ongoing Pavement Preservation program. This program preserves a vital element of the City's infrastructure. Additionally, the City implements its Complete Streets Policy (RMC 12.06) by restriping streets to include bike lanes and on-street parking delineation as part of this program.
- Some of the major infrastructure construction projects included \$2.1 million on Center Parkway North extension, \$1.1 million on Henderson Loop extension, \$1.0 million on the completion of LED streetlight retrofit program, and \$0.6 million on Vantage Highway Pathway construction. Additional details on these projects can be found below in the Streets Capital Construction Fund section of this discussion.

Major Governmental Funds

General Fund activity resulted in a fund balance increase of \$6.1 million in 2023. In comparison, 2022 General Fund activities resulted in an \$11.8 million decrease. Total revenues increased by \$11.8 million or 18%, while expenditures increased by \$7.0 million or 12%. In addition to revenues and expenditures, the General Fund receives transfers from other funds, and also transfers money out to other funds.

Interfund transfers into the General fund decreased by \$1.4 million in 2023 versus the prior year, while transfers out from the General fund to other City funds decreased by \$14.2 million. Prior year transfers out were higher than usual, so the 2023 activity is more in line with historical levels.

Tax revenues are the primary revenue source for the General Fund. Property taxes increased by \$1.2 million, mainly due to new residential and commercial construction in Richland. Sales taxes, while not growing as quickly as in the prior year, still posted a \$612,350 increase, reaching a new record high, and utility taxes increased by \$242,779. Charges for services increased by \$1.2 million, mainly related to cost allocation charges to City departments outside the General Fund offset by various other smaller increases and decreases. Interest and investment earnings increased by \$3.8 million, primarily due to fair value adjustments.

General Fund operating expenditures on the 2023 Statement of Revenues, Expenditures and Changes in Net Position were \$7 million higher than the prior year. The increases mainly occurred in public safety, general government and physical environment expenditures.



With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the Annual Comprehensive Financial Report, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 116.9% and 88.9% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$4.2 million more than the adjusted budget, an 8.3% variance. The next largest budget-actual dollar variance in revenues was intergovernmental, at \$3.9 million more than the adjusted budget, a 191.3% variance, mostly due to delayed recognition of federal COVID-19 (ARPA) funds as revenue as the City expends proceeds from a prior year on a current capital project. Another significant budget-actual dollar variance in revenues was in investment earnings, at \$1.9 million more than the adjusted budget.

The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$5 million below the adjusted budget. This was primarily due to budgeted expenditures for the ERP project in the Information Technology department (\$2.7 million) and in salary savings from vacant positions in various departments. Most of the IT division amounts not spent in the current year are carried over to the subsequent year to continue this project. Other less significant general governmental budget variances occurred throughout the remaining divisions.

Following are the significant adjustments made to the General fund original budget in 2023:

- The construction of Fire Station #76 began in earnest in 2023. During construction, certain cost increases were discussed with the City Council. It was determined that an additional \$742,000 in appropriations was needed to complete the project.
- \$382,246 was appropriated to authorize spending the proceeds of various grants supporting Police, Fire and Library programs.
- The 2023 budget was developed assuming that an LED streetlight retrofit program would be completed, and costs to operate the street lighting system would be lower due to the newer, energy efficient lights. As a result of supply delays, the retrofit program was not complete until later in the year. A budget amendment was needed to transfer funds from the General Fund to the Streets Fund to cover the increased costs.
- A facility used by the City for vehicle and equipment storage became available for purchase. City Council approved an increase of \$339,900 to effect the purchase.
- Unanticipated repairs were necessary to correct a roof leak on Fire Station #74. \$200,000 was appropriated by City Council to make these repairs.
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$6,326,999.



Streets Capital Construction Fund activities resulted in a fund balance increase of \$0.8 million in 2023. By comparison, 2022 activities resulted in an \$2.8 million increase in fund balance. Revenues increased by \$2.4 million or 72%, while expenditures increased by \$1.4 million or 16%. Other financing sources decreased \$3.0 million or 35%.

Intergovernmental revenues, generally grants, are the primary revenue source for the Streets Capital Construction Fund, as most projects in this fund are grant-reimbursable. Grants represent nearly \$1.3 million of the increase in revenues over the prior year.

The following were some of the major projects accounted for in the Streets Capital Construction Fund in 2023:

- The largest project was the ongoing Pavement Preservation program with expenditures totaling \$3.7 million or 35% of all expenditures in the fund. The program invests in preserving city's paved streets and completes street resurfacing using techniques selected to achieve the lowest life-cycle costs while maintaining street conditions at the selected standard. The program completes drainage improvements where they are needed to preserve pavement condition and also completes pedestrian access facilities required by federal regulations.
- Next largest project expenditures were for Center Parkway North Extension. Capital expenditures on the project were \$2.1 million or 20% of all 2023 expenses in the fund. The project constructed a new 3 lane roadway with bike lanes, curb, gutter and sidewalks on both sides of the street from Tapteal Drive to Gage Blvd. The project is on track to be completed in the beginning of 2024.

- \$1.1 million or 11% of all 2023 expenditures in Streets Construction fund were spent on phase II of Henderson Loop Extension west of Logston Blvd. The project is a part of the road and infrastructure development plan for Horn Rapids Triangle area that is aimed to generate new businesses and create additional jobs. The project is funded by City's Industrial Development fund.
- \$1.0 million or 10% of all 2023 expenditures in the fund were spent on completion of Street Light Retrofit to LED Technology project. Conversion from high pressure sodium lighting technology to LED street lighting can provide a number of benefits to the community, including energy savings, improved reliability, maintenance savings, and improved safety. The project is estimated to reduce the Streets Division's costs for street light operation and maintenance by more than \$300,000 per year, resulting in a conservative payback estimate for the project at less than eight years.
- \$0.6 million or 6% of all 2023 expenditures in the fund were spent on phase II of Vantage Highway Pathway construction. This project is aimed to improve non-motorized travel connectivity in the north Richland area. The project constructed a 12-foot asphalt multi-use pathway on the north side of SR-240 from Hagen Road to Stevens Drive. Phase II of the project also includes a crossing of the Port of Benton railroad track and is scheduled to be completed in 2024.

Business-Type Activities

Business-type activities resulted in an ending net position of \$340.1 million, for an increase of \$30.8 million. Unrestricted net position increased by \$7.8 million to provide a total of \$52.7 million in available resources to finance future activities of the business-type funds. The primary contributors to business-type net position are activities found in the City's three major business-type funds: The Electric, Water, and Wastewater funds, which comprise 78% of the total business-type net position.

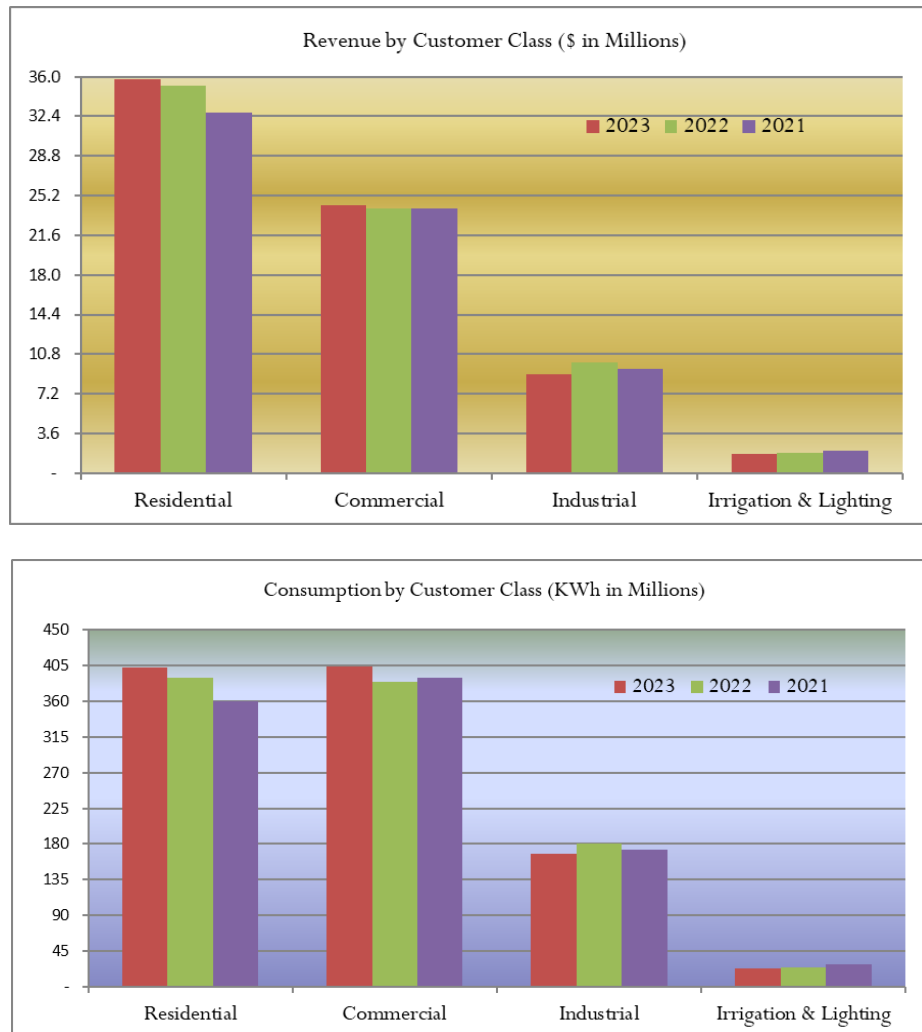
Electric Fund activities increased ending net position by \$15.2 million or 18.9% above the previous year-end balance. Annual debt repayment of \$2.3 million and depreciation of \$7.0 million were offset by the utility's \$12.3 million investment in capital. In response to forecasted growth in customer and consumption base, \$10.3 million in capital outlays was for projects that constructed, renewed and extended existing distribution infrastructure, as well as improved and expanded substation infrastructure. Capital outlay for equipment, machinery and software totaled over \$2.0 million.

Operating revenue increased \$0.5 million or 0.1% due to inconsistencies in customer loads and weather patterns. The last system-wide rate increase went into effect on June 1, 2019 and due to BPA rate adjustments and a \$6.7 million billing credit related to a reserve distribution clause in the BPA contract, there is no additional utility rate action planned until 2025.

System-wide energy consumption increased 2.0% and total customer accounts increased 1.9% in 2023. When looking at energy consumption changes by customer class, residential consumption increased by 3.5%, commercial consumption decreased by 5.0% and industrial consumption decreased 7.2%. The irrigation and lighting class decreased by 2.5%.

Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. The 2023 weather was typical for the area with extended summer periods with highs over 100 and winter low temperatures getting into single digits. January's weather spiked with a cold spell and a coincidental peak system demand set at 209.6 MW. Trends of increasing commercial loads from economic development activity and decreasing residential energy consumption because of the City's energy conservation program investment are expected.

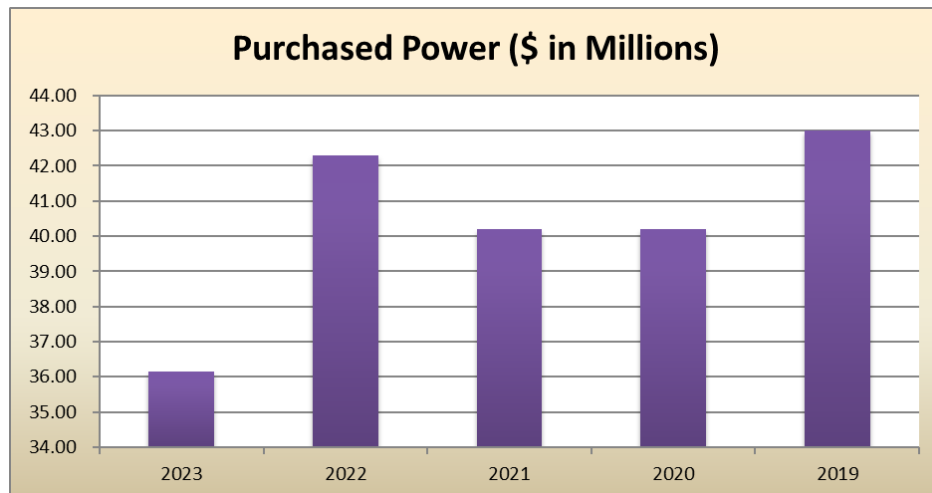
The following graphs summarize energy revenue and consumption by customer class:



Operating expenses decreased \$3.9 million or 5.7% compared to the prior year. While weather factors impacted customer loads in 2023, wholesale power cost decreased by \$6.1 million. The reported wholesale power decrease was the result of a \$300,000 increase in billed power offset by a \$6.4 million credit, from BPA, paid as part of a contract clause related to reserves generated by selling unused power on the open market. Additionally, the pension cost credit was slightly higher at \$970,000 compared to the 2022 credit of \$600,000. The pension cost credit is the result of State retirement plan investment earnings creating a pension asset at the system level. In previous years, the State plans would typically carry plan

liabilities. Operating expenses in total are continually being mitigated by cost containment measures taken during the budget development process.

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

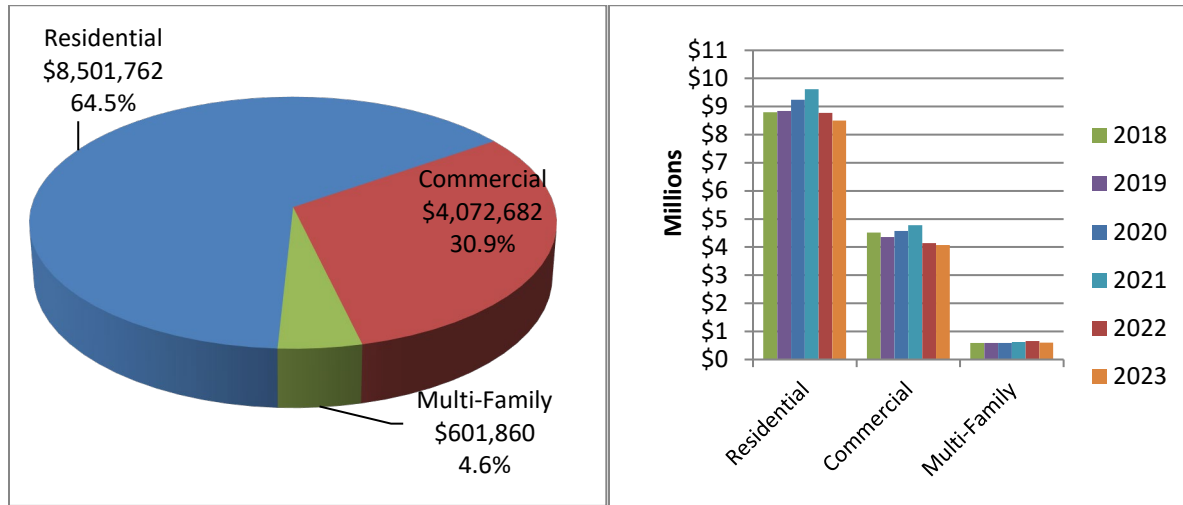


Standard & Poor's (S&P) changed the Electric Utility's credit rating on outstanding bonded debt from A+ to A with a Stable Outlook in 2019. The A rating was reaffirmed on the utility's \$19.4 million 2023 capital improvement and refunding bond issue. The slight downgrade in 2019 reflects S&P's updated "U.S. Municipal Retail Electric and Gas Utilities: Methodology and Assumptions" published Sept. 27, 2018. The main drivers of the rating change were fixed-charge coverage levels and a decline in unrestricted cash. Notwithstanding, maintaining a base "A" rating is a significant reflection of the utility's overall financial strength and stability. The rating also recognizes City management's willingness to maintain adequate reserves, adjust rates and acquire additional capital financing when necessary. Maintaining or improving this credit rating is a key objective in minimizing debt service expense on future revenue bond sales. The next bond issuance is scheduled for the summer of 2025.

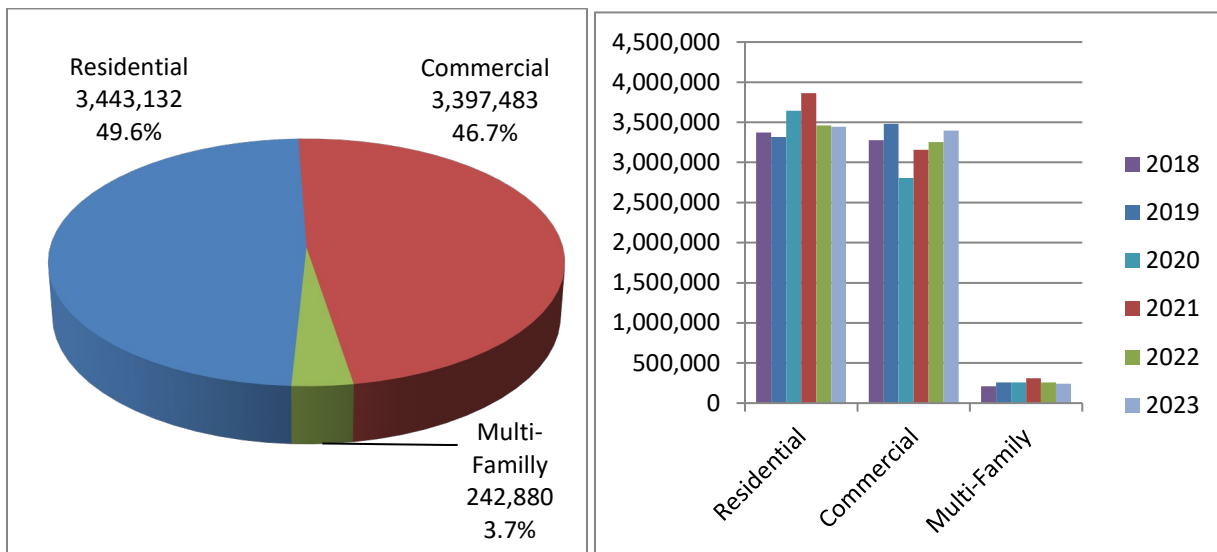
Water Fund activities generated a net position increase of \$3.8 million in 2023. Operating income was \$1.9 million in 2023; a \$1.3 million decrease over the prior year. Operating revenues decreased \$499,547 due in part to a decrease in residential water sales of \$267,796, when compared to 2022. Investment earnings increased by \$1.8 million because of year-end fair value adjustments, insurance recoveries from the steam boiler increased by \$114,273, and interest expense increased \$56,417. The utility recognized capital contributions of \$1.2 million in 2023. Thirty-eight percent of these contributions were received from private sources, valued at \$453,685. This addition reflects the fair value of capital improvements that were built and funded privately, and subsequently gifted to the City after the assets were placed in service. Donated capital is recognized when the development is completed and accepted by the City. The remaining capital contribution revenue is tied to new service requests that result in facilities fees charged to the owner, to capital grants from the State, and payments received from the City of West Richland for work being done on the Tapteal Booster Pump Station. The facilities fee revenue for 2023 decreased by

\$178,381 from 2022 or 20%. The utility transferred out \$20,000 in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network carries the water utility's communication systems. In addition, the utility transferred out another \$43,000 in support of a transportation road extension project at Comstock Street.

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



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



In 2023, Water fund operating expenses increased by \$761,390 when compared to 2022. Supplies costs increased by \$238,075 from 2022 to 2023. A major portion consisting of over half of this increase was the purchase of new software for the automated meters. The cost of supplies is typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses.

Other service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category increased by \$59,323 when compared to 2022, mostly due to expert services and rising insurance premium costs. The water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. For 2023, utilities expense for water operations decreased \$31,648 over 2022.

Tax expense in 2023 decreased by \$48,931 and there was an increase of \$23,004 in the recognition of bad debt expense. This increase reflected the City's determination at the end of 2021 that a less drastic allowance for uncollectable accounts was appropriate due to the lessening effects of COVID-19 on customer billing collections. Finally, depreciation expense increased in 2023 by \$316,032 over the previous year.

In 2023, the utility made the following significant investments in its capital infrastructure:

- Continued installation of automated meter reading infrastructure. The utility spent \$ 773,887 in 2023 on this project.
- Continued water distribution system improvements to make timely repairs and maintain system reliability and efficiency. One of those projects was the water reservoirs improvement project with 2023 costs of \$240,483.
- The Water Treatment Plant Renewal and Replacement Program made upgrades to the ultraviolet facility. The Capital spending on this specific project was \$406,675 in 2023.

The capital related debt of the water and wastewater utilities comprise a large portion, \$17.0 million, or 10.7% of all revenue debt and 10.7% of all City long-term borrowing. The water utility debt equals \$12.5 million, or 8.0% of all City long-term borrowing. The debt of the water utility is comprised of bonded debt and State Safe Drinking Water Revolving Fund loans. The Safe Drinking Water Revolving Fund loans were issued at coveted, below-market interest rates.

The water utility is required by its bond covenants to maintain a bond reserve in lieu of bond insurance. The water utility has adhered to this requirement and restricted \$922,049 in cash and investments on the utility's balance sheet. The financial strength of the combined water and wastewater utility was assessed by Standard & Poor's and rated AA in May 2017.

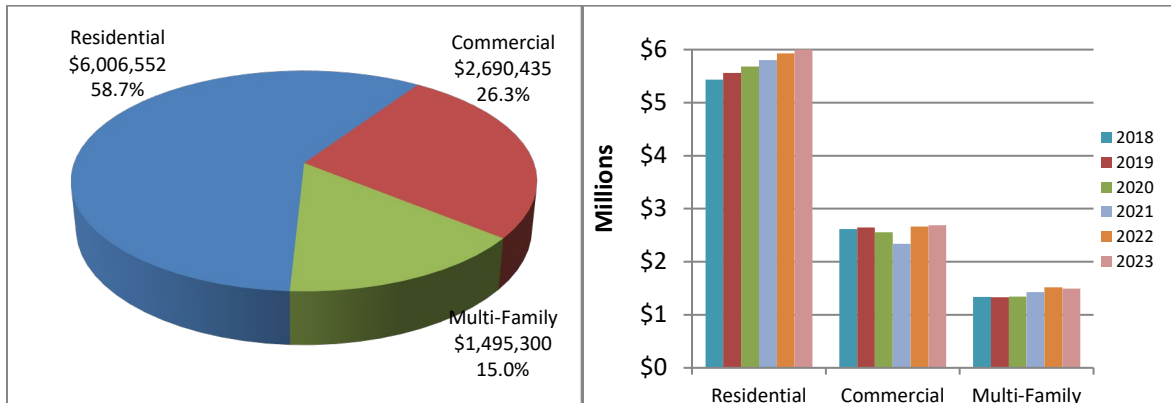
Wastewater Fund activities generated a net position increase of \$2.7 million in 2023. Total operating income was \$976,673 in 2023, a decrease of \$275,994 compared to 2022. This difference was the result of a slight reduction in operating revenues of \$38,477 coupled with an increase in operating expenses of \$237,517. Investment earnings were almost \$1.5 million more in 2023 as compared to 2022, due to year-end fair value adjustments. Interest expense decreased by \$29,685 in 2023.

Additionally, the utility recognized capital contributions of \$1.2 million in 2023. Of this addition, \$268,505 reflects the value of capital improvements that were built and funded by private development, and subsequently gifted to the City once placed in service. Donated capital is recognized as the development is completed and accepted by the City. The remaining capital contribution revenue of \$ 882,746, is tied to new utility service requests that result in facilities fees charged to the owner. The utility transferred out \$5,000 like last year in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network supports the wastewater utility's communication system. An additional transfer out of \$117,263 was for the replacement of a high-pressure sewer cleaner. The utility also received a transfer of \$3,945 for work to be done on the Horn Rapids sewer extension.

The utility's most recent rate change went into effect during 2010. Therefore, any increase in residential revenue is directly tied to customer growth. Residential revenue increased \$78,363 in 2023, or 1.3% above 2022 revenues. For the commercial and multifamily classes of service, water consumption is also a component in the calculation of the bill. Revenue from the multifamily class of customers decreased \$21,359 over 2022, a 1.4% decrease, and the commercial class experienced growth of \$28,283, or a 1.1% increase.

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



The operating expenses of the City's wastewater utility increased \$237,517 when compared to 2022. Total salaries and benefits increased 14.1% or \$317,871. This was primarily due to adjustments to annual pension expense accruals for the state PERS plans.

Other service expenditures are driven by events that require outside input for the utility. This includes hiring outside consultants, making repairs to equipment, or payments for a license or permit. These types of events, like the failure of a piece of equipment, cannot be predicted but necessitate such expenditures. Total costs in this category decreased by \$21,502 over the prior year. The wastewater utility also saw a decrease of insurance premiums of \$46,946 and utility expenses decreased \$38,197 when compared to 2022.

In 2023, the Wastewater utility made several investments in its capital infrastructure:

- The utility remains focused on improving its Wastewater Treatment Plant. The utility has planned annual improvements to eliminate downtime and ensure effective wastewater treatment. During 2023, the total spending on these capital improvements was over \$7.2 million. Over \$7.0 million was spent to restore the biological treatment capacity by doing a retrofit of the Aeration Basin #2 to provide the necessary organic material biodegradation.

The wastewater utility capital debt equals \$6.9 million, or 4.4% of all City long-term debt. The debt of the utility is comprised of bonded debt and two loans from the Department of Ecology. The wastewater utility has complied with bond covenant requirements and restricted \$497,713 in a bond reserve account. The financial strength of the combined water and wastewater utility was assessed by Standard & Poor's and rated AA in May 2017.

ECONOMIC OUTLOOK

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

1. **Energy and Nuclear Industry:** Richland is home to the Pacific Northwest National Laboratory (PNNL), which conducts research in various fields, including energy, environment, and national security. The nearby Hanford Nuclear Reservation, although primarily a decommissioned site, still contributes to the local economy through ongoing cleanup efforts.
2. **Agriculture:** Agriculture plays a significant role in the economy of the Tri-Cities region. The fertile soil and favorable climate support the growth of crops such as grapes, apples, cherries, and other fruits, as well as vegetables. The agricultural sector provides employment opportunities and contributes to the local economy through production, processing, and distribution.
3. **Manufacturing and Technology:** Richland has a diverse manufacturing sector, including industries such as aerospace, defense, food processing, and machinery manufacturing. The region also has a growing technology sector, with companies involved in software development, data analysis, and other high-tech fields.
4. **Healthcare and Education:** Richland is home to Kadlec Regional Medical Center, which is one of the largest employers in the region. The healthcare sector, including medical services and research, provides stable employment opportunities. Additionally, education is an important sector, with Washington State University Tri-Cities, Columbia Basin College and other educational institutions contributing to the local economy.
5. **Tourism and Recreation:** Richland and the surrounding area attract visitors due to its natural beauty, outdoor recreational opportunities, and cultural events. The Columbia River, nearby wineries, and the Hanford Reach National Monument offer attractions for tourists and contribute to the local economy through hospitality, leisure, and tourism-related businesses.

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

The Hanford Nuclear Reservation clean-up continues and is not expected to be complete for several decades. Federal funding for these efforts is a significant driver of the Tri-Cities' economy, particularly in Richland. While this funding has the risk of being volatile due to changes in political priorities and available federal spending, historically, the clean-up project has enjoyed strong federal support.



Richland continues to enjoy steady new construction activity, including retail centers, office, and multifamily development. The Queensgate area continues to be an area of strong growth with a retail/commercial focus, and significant infrastructure improvements are planned for 2024. The City has ongoing construction of road and infrastructure improvements in the in the Horn Rapids area, which attracts commercial growth. The Badger Mountain South area is experiencing significant residential growth. In 2024, the City will complete construction a new fire station in this area, and begin the first phase of a 30-acre park.

While the housing market in the region has experienced a slow-down over the last year, due to rising interest rates and building costs, it appears to be recovering in the first half of 2024. Richland's Local Revitalization Financing program continues to pay off, resulting in robust construction and expansion in the Horn Rapids Industrial Park. Richland will continue to recruit primary sector job growth, primarily focused in energy, technology, and food and agricultural processing, which in turn further diversifies the local economy from reliance on federal spending. In addition, the Horn Rapids Advanced Clean Energy Park will have some additional infrastructure added in 2024 and is beginning to attract interest from large manufacturers.

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City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 38,192,426	\$ 32,634,304	\$ 70,826,729	\$ 1,220,695
Deposits with third parties	517,139	11,575	528,714	-
Investments	59,134,103	37,566,238	96,700,341	-
Taxes receivable	5,653,589	-	5,653,589	127,963
Customer accounts, net	1,231,417	11,038,218	12,269,635	25,872
Due from other governments	3,088,264	368,610	3,456,874	-
Notes and contracts	1,395,514	150,000	1,545,514	-
Internal balances	7,330,137	(7,330,137)	-	-
Prepaid items	178,151	143,248	321,399	5,916
Inventory	135,042	8,308,537	8,443,579	26,908
Special assessments	1,582	26,424	28,006	-
Total current assets	116,857,364	82,917,016	199,774,380	1,407,354
Noncurrent assets:				
Restricted cash and cash equivalents	\$ -	\$ 5,671,318	\$ 5,671,318	\$ 426,026
Restricted investments	-	17,859,643	17,859,643	-
Investment in joint ventures	2,476,512	-	2,476,512	-
Land held for resale	14,520,113	-	14,520,113	-
Special assessments	1,426	121,604	123,029	-
Leases receivable	8,670,813	815,273	9,486,085	-
Net pension asset	16,195,602	7,347,290	23,542,892	-
Land	10,768,914	8,899,440	19,668,354	-
Depreciable assets (net)	62,103,282	54,582,108	116,685,390	4,647,559
Infrastructure (net)	129,043,459	271,020,012	400,063,471	1,541,196
Construction in progress	11,347,669	23,644,952	34,992,621	-
Total noncurrent assets	255,127,789	389,961,639	645,089,428	-
Total assets	371,985,153	472,878,655	844,863,808	8,022,135
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - amount on debt refunding	\$ 133,347	\$ 457,476	\$ 590,823	\$ 23,138
Deferred outflow - pension	11,036,133	5,542,106	16,578,239	-
Deferred outflow - OPEB	317,435	90,972	408,407	-
Total deferred outflows of resources	11,486,915	6,090,553	17,577,468	-
Total assets and deferred outflows of resources	383,472,068	478,969,209	862,441,277	8,045,273

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 7,150,892	\$ 10,647,193	\$ 17,798,085	\$ 37,261
Payable to other governments	175,067	616,194	791,261	-
Deposits payable	24,011	771,610	795,620	9,730
Claims and judgments	3,114,241	-	3,114,241	-
Leases payable	-	315,561	315,561	-
Compensated absences	2,748,871	1,148,159	3,897,030	19,183
Notes and contracts payable	94,060	532,950	627,011	-
General obligation bonds payable	2,850,000	220,000	3,070,000	440,000
Revenue bonds payable	-	3,310,000	3,310,000	-
Total pension liability	294,873	-	294,873	-
Total OPEB liability	756,844	100,851	857,695	-
Total current liabilities	17,208,858	17,662,519	34,871,377	506,174
Noncurrent liabilities:				
Leases payable	\$ 220,623	\$ 92,812	\$ 313,435	\$ -
Compensated absences	2,382,854	1,148,159	3,531,013	-
Notes and contracts payable	151,386	5,228,126	5,379,512	-
General obligation bonds payable	33,355,164	4,406,293	37,761,457	2,228,591
Revenue bonds payable	-	93,430,549	93,430,549	-
Unearned revenue	2,937,731	1,024,594	3,962,326	14,445
Net pension liability	2,266,098	1,929,561	4,195,659	-
Total pension liability	2,669,044	-	2,669,044	-
Total OPEB liability	8,665,704	1,121,651	9,787,355	-
Landfill closure liability	-	7,906,529	7,906,529	-
Total noncurrent liabilities	52,648,604	116,288,273	168,936,878	2,243,036
Total liabilities	69,857,463	133,950,792	203,808,255	2,749,210
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - leases	\$ 8,670,813	\$ 815,273	\$ 9,486,085	\$ -
Deferred inflow - transfer of service concession arrangement capital assets	3,090,600	-	3,090,600	-
Deferred inflow - pension	6,447,015	3,474,733	9,921,748	-
Deferred inflow - OPEB	2,012,179	576,657	2,588,836	-
Deferred inflow - amount on debt refunding	3,185	4,513	7,698	-
Total deferred inflows of resources	20,223,792	4,871,175	25,094,967	-
Total liabilities and deferred inflows of resources	90,081,255	138,821,967	228,903,221	2,749,210
NET POSITION				
Net investment in capital assets	\$ 172,504,756	\$ 256,105,422	\$ 428,610,178	\$ 3,543,302
Restricted for:				
Capital improvements	9,267,302	13,822,098	23,089,400	-
Debt service	1,826,691	8,152,845	9,979,536	762,450
Economic environment	22,432,203	-	22,432,203	-
Other purposes	1,422,565	-	1,422,565	-
Pensions	20,760,552	9,394,084	30,154,636	-
Public safety	2,617,838	-	2,617,838	-
Unrestricted	62,558,906	52,672,792	115,231,699	990,311
Total net position	\$ 293,390,813	\$ 340,147,242	\$ 633,538,055	\$ 5,296,063

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Judicial	\$ 775,285	\$ 554,264	\$ -	\$ -	\$ (221,021)	\$ -	\$ (221,021)
General government	19,297,418	9,958,215	-	-	(9,339,203)	-	(9,339,203)
Public safety	36,626,905	7,383,702	5,100,689	-	(24,142,513)	-	(24,142,513)
Transportation	12,561,427	1,373,561	-	5,111,623	(6,076,243)	-	(6,076,243)
Health and human services	27,310	3,824	591,408	-	567,922	-	567,922
Economic environment	5,960,588	5,227,314	782,115	-	48,842	-	48,842
Culture and recreation	10,446,145	1,261,058	14,635	-	(9,170,452)	-	(9,170,452)
Physical environment	1,233,360	-	-	-	(1,233,360)	-	(1,233,360)
Interest on long-term debt	1,229,343	-	-	-	(1,229,343)	-	(1,229,343)
Total governmental activities	88,157,781	25,761,939	6,488,847	5,111,623	(50,795,371)	-	(50,795,371)
Business-type activities:							
Electric Utility Fund	68,670,617	80,954,339	-	2,207,346	-	14,491,068	14,491,068
Water Utility Fund	13,044,728	14,918,644	-	1,203,042	-	3,076,958	3,076,958
Wastewater Utility Fund	9,285,780	10,340,698	-	1,151,251	-	2,206,169	2,206,169
Solid Waste Utility Fund	9,628,268	12,189,629	-	-	-	2,561,361	2,561,361
Stormwater Utility Fund	1,701,907	2,025,207	707,667	273,993	-	1,304,960	1,304,960
Golf Course Fund	2,171,620	2,529,847	-	-	-	358,228	358,228
Medical Services Fund	7,019,981	7,249,730	126,848	-	-	356,597	356,597
Broadband Fund	304,112	321,649	-	-	-	17,538	17,538
Total business-type activities	111,827,013	130,529,743	834,515	4,835,632	-	24,372,877	24,372,877
Total primary government	\$ 199,984,793	\$ 156,291,682	\$ 7,323,363	\$ 9,947,255	\$ (50,795,371)	\$ 24,372,877	\$ (26,422,494)
Component units:							
Richland Public Facilities District	\$ 1,468,195	\$ 496,139	\$ 126,830	\$ -	\$ -	\$ -	\$ (845,225)
Total component units	\$ 1,468,195	\$ 496,139	\$ 126,830	\$ -	\$ -	\$ -	\$ (845,225)
General revenues:							
Property taxes					21,638,312	-	21,638,312
Sales taxes					22,837,235	-	22,837,235
Utility occupation taxes					14,595,817	-	14,595,817
Real estate excise tax					3,001,060	-	3,001,060
Motor fuel & multimodal transportation tax					1,231,146	-	1,231,146
Hotel/motel lodging tax					1,621,262	-	1,621,262
Other taxes					2,943,034	-	2,943,034
Investment earnings					5,066,645	4,764,032	9,830,677
Gain on disposition of capital assets					32,427	100,000	132,427
Gain on disposition of land held for sale					1,340,904	-	1,340,904
Insurance recoveries					111	114,273	114,384
Transfers					(1,227,498)	1,227,498	-
Total general revenues and transfers					73,080,454	6,205,803	79,286,256
Change in net position					22,285,082	30,578,680	52,863,762
Net position - beginning					270,107,404	309,318,562	579,425,966
Prior period adjustments					998,328	250,000	1,248,328
Net position - ending					\$ 293,390,814	\$ 340,147,242	\$ 633,538,056
							\$ 5,296,063

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

City of Richland, Washington
Annual Comprehensive Financial Report
Balance Sheet
Governmental Funds
December 31, 2023

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,086,704	\$ 2,156,095	\$ 18,835,998	\$ 32,078,797
Deposits with third parties	19,425	-	28,600	48,025
Investments	29,017,064	3,954,772	17,013,098	49,984,934
Taxes receivable	4,709,810	-	943,779	5,653,589
Customer accounts (net)	355,011	-	876,406	1,231,417
Due from other governments	238,628	2,560,224	289,412	3,088,264
Notes and contracts	-	-	1,395,514	1,395,514
Prepaid items	40,408	-	-	40,408
Inventory	-	-	36,578	36,578
Leases receivable	260,131	-	8,410,682	8,670,813
Special assessments	-	-	3,008	3,008
Total assets	<u>\$ 45,727,181</u>	<u>\$ 8,671,091</u>	<u>\$ 47,833,074</u>	<u>\$ 102,231,345</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 3,459,367	\$ 1,009,856	\$ 2,219,105	\$ 6,688,328
Payable to other governments	148,566	-	26,296	174,862
Due to other funds	-	-	12,828	12,828
Deposits payable	1,011	-	23,000	24,011
Unearned revenue-other	2,567,070	344,062	26,600	2,937,732
Total liabilities	<u>6,176,014</u>	<u>1,353,918</u>	<u>2,307,828</u>	<u>9,837,760</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - leases	\$ 260,131	\$ -	\$ 8,410,682	\$ 8,670,813
Unavailable revenue-property taxes	250,612	-	19,033	269,645
Unavailable revenue-unbilled LID assessments	-	-	1,426	1,426
Total deferred inflows of resources	<u>510,743</u>	<u>-</u>	<u>8,431,140</u>	<u>8,941,883</u>
Total liabilities and deferred inflows of resources	<u>6,686,756</u>	<u>1,353,918</u>	<u>10,738,969</u>	<u>18,779,643</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Contractually maintained deposits	\$ -	\$ -	\$ 2,000	\$ 2,000
Inventory	-	-	36,578	36,578
Prepaid items	40,408	-	-	40,408
Restricted				
Capital improvements	126,967	561,616	8,578,719	9,267,302
Debt service	-	-	1,826,691	1,826,691
Economic environment	2,270,995	-	5,641,096	7,912,090
Other purposes	1,422,565	-	-	1,422,565
Public safety	171,926	-	2,445,911	2,617,838
Committed				
Capital improvements	452,951	-	11,505,451	11,958,403
Economic environment	214,016	-	6,023,462	6,237,478
Public safety	108,794	-	-	108,794
Assigned				
Debt service	-	-	261,479	261,479
Public safety	74,718	-	-	74,718
Transportation	-	6,755,557	785,546	7,541,103
Unassigned	34,157,083	-	(12,828)	34,144,256
Total fund balances (deficits)	<u>\$ 39,040,425</u>	<u>\$ 7,317,173</u>	<u>\$ 37,094,105</u>	<u>\$ 83,451,702</u>
Total liabilities and fund balances (deficits)	<u>\$ 45,727,181</u>	<u>\$ 8,671,091</u>	<u>\$ 47,833,074</u>	<u>\$ 102,231,345</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of Balance Sheet
To the Statement of Net Position
For the Year Ended December 31, 2023

Fund balances of governmental funds	83,451,702
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Amounts reported for governmental activities in the statement of net position are different because:

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

213,263,324

213,263,324

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

Investment in joint venture	2,476,512
Land held for sale	14,520,113
Net pension asset	16,195,602
Notes, contracts and taxes receivable, offset by deferred inflows of resources	271,071

33,463,298

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

Net position	12,477,884
Internal payable representing charges in excess of cost to business-type activities: prior years	5,958,712
Internal payable representing charges in excess of cost to business-type activities: current year	1,417,522

19,854,118

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

Deferred outflow of resources related to pensions	11,036,133
Deferred outflow of resources related to OPEB	317,435
Deferred outflow of resources related to debt refunding	133,347
Deferred inflow of resources related to service concession arrangement (ORV Park assets)	(3,090,600)
Deferred inflow of resources related to pensions	(6,447,015)
Deferred inflow of resources related to OPEB	(2,012,179)
Deferred inflow of resources related to debt refunding	(3,185)

(66,064)

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

General obligation bonds	(32,750,000)
Net premium/discount	(3,455,164)
Other general government debt	(245,446)
Net pension liability	(2,266,098)
Total pension liability	(2,963,917)
Total OPEB liability	(9,422,548)
Compensated absences	(5,131,725)
Accrued interest payable	(120,044)
Leases Payable	(220,623)

(56,575,565)

Net position of governmental activities

293,390,813

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 54,933,220	\$ -	\$ 11,218,231	\$ 66,151,451
Licenses and permits	2,724,436	-	-	2,724,436
Intergovernmental	5,893,645	4,642,047	2,014,642	12,550,333
Charges for goods and services	9,428,456	618,419	8,246,532	18,293,408
Fines and forfeits	561,423	-	-	561,423
Investment earnings	2,201,330	504,304	1,361,085	4,066,719
Rents and leases	277,802	-	2,694,124	2,971,926
Miscellaneous revenue	1,095,822	-	498,518	1,594,339
Disposition of land held for sale	-	-	1,494,088	1,494,088
Total revenues	<u>77,116,133</u>	<u>5,764,770</u>	<u>27,527,220</u>	<u>110,408,123</u>
EXPENDITURES				
Current:				
Judicial	775,285	-	-	775,285
General government	19,102,996	-	-	19,102,996
Public safety	29,578,920	-	8,668,205	38,247,125
Physical environment	1,233,360	-	-	1,233,360
Transportation	-	4,196,447	3,972,835	8,169,281
Health and human services	27,310	-	-	27,310
Economic environment	2,949,677	-	3,294,559	6,244,236
Culture and recreation	9,347,861	-	112,495	9,460,355
Debt service:				
Administrative charges	-	-	1,493	1,493
Interest	883	-	1,516,826	1,517,709
Principal retirement	25,003	-	2,799,060	2,824,063
Capital outlay:				
General government	1,401,343	-	93,048	1,494,391
Public safety	29,768	-	3,434,206	3,463,973
Transportation	-	6,359,984	32,443	6,392,427
Economic environment	-	-	273,439	273,439
Culture and recreation	589,840	-	1,947,068	2,536,908
Total expenditures	<u>65,062,244</u>	<u>10,556,431</u>	<u>26,145,675</u>	<u>101,764,350</u>
Excess (deficiency) of revenues over expenditures	<u>12,053,890</u>	<u>(4,791,660)</u>	<u>1,381,544</u>	<u>8,643,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,072,835	6,322,402	9,207,387	16,602,624
Transfers out	(7,294,966)	(745,525)	(9,789,632)	(17,830,123)
Leases and SBITAs	234,278	-	-	234,278
Disposition of capital assets	-	-	32,427	32,427
Insurance recoveries	111	-	-	111
Total other financing sources (uses)	<u>(5,987,742)</u>	<u>5,576,877</u>	<u>(549,819)</u>	<u>(960,683)</u>
Net change in fund balances	6,066,148	785,217	831,726	7,683,091
Fund balances - beginning	<u>32,974,277</u>	<u>6,531,956</u>	<u>36,262,379</u>	<u>75,768,612</u>
Fund balances - ending	<u>\$ 39,040,425</u>	<u>\$ 7,317,173</u>	<u>\$ 37,094,105</u>	<u>\$ 83,451,702</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances - total government funds	7,683,091
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Amounts reported for governmental activities in the statement of activities are different because:

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

Principal repayment	2,824,063	
Amortization of premiums, discounts and deferred amounts on refunding	280,414	
Lease and SBITA debt issued	(234,278)	
		2,870,199

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

Change in earned revenue reported as deferred inflows in the fund statements	(189,095)	
Change in the City's investment in joint ventures	255,437	
Change in the City's investment in land held for sale	(153,184)	
Change in the City's net pension liability and related deferred inflows/outflows	4,440,571	
Change in accrued interest payable	8,562	
Change in net OPEB obligation	535,681	
Change in compensated absences	(1,027,819)	
		3,870,153

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

Change in net position	440,639	
Internal payable representing charges in excess of cost to governmental activities-current year	1,417,522	
		1,858,161

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

Capital outlays	14,161,138	
Depreciation	(8,627,235)	
Donated capital assets received	469,576	
		6,003,479
Change in net position of governmental activities		22,285,082

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	\$ 50,706,599	\$ 50,706,599	\$ 54,933,220	\$ 4,226,621
Licenses and permits	2,778,500	2,778,500	2,724,436	(54,064)
Intergovernmental	1,381,708	2,023,204	5,893,645	3,870,441
Charges for goods and services	9,167,823	9,167,823	9,428,456	260,633
Fines and forfeits	425,400	425,400	561,423	136,023
Investment earnings	332,000	332,000	2,201,330	1,869,330
Rents and leases	250,481	250,481	277,802	27,321
Miscellaneous revenue	270,450	286,450	1,095,822	809,372
Total revenues	65,312,961	65,970,457	77,116,133	11,145,677
EXPENDITURES				
Current:				
Judicial	682,500	682,500	775,285	(92,785)
General government	20,592,556	24,080,379	19,102,996	4,977,383
Public safety	30,633,741	31,569,063	29,578,920	1,990,143
Health and human services	15,965	15,965	27,310	(11,345)
Economic environment	3,251,385	3,288,035	2,949,677	338,358
Culture and recreation	10,040,930	10,122,855	9,347,861	774,994
Physical environment	-	1,898,677	1,233,360	665,317
Total current	65,217,077	71,657,474	63,015,408	8,642,066
Debt service:				
Interest	-	-	883	(883)
Principal retirement	-	-	25,003	(25,003)
Total debt service	-	-	25,886	(25,886)
Capital outlay:				
General government	750,000	1,089,100	1,401,343	(312,243)
Public safety	-	-	29,768	(29,768)
Culture and recreation	30,000	467,524	589,840	(122,316)
Total capital outlay	780,000	1,556,624	2,020,950	(464,326)
Total expenditures	65,997,077	73,214,098	65,062,244	8,151,854
Excess (deficiency) of revenues over expenditures	(684,116)	(7,243,641)	12,053,890	19,297,531
OTHER FINANCING SOURCES (USES)				
Transfers in	1,003,675	1,063,675	1,072,835	9,160
Transfers out	(5,762,510)	(7,319,234)	(7,294,966)	24,268
Leases and SBITAs	-	-	234,278	234,278
Insurance recoveries	-	-	111	111
Total other financing sources (uses)	(4,758,835)	(6,255,559)	(5,987,742)	267,817
Net change in fund balances	(5,442,951)	(13,499,200)	6,066,148	19,565,348
Fund balances - beginning	32,974,277	32,974,277	32,974,277	-
Fund balances - ending	\$ 27,531,326	\$ 19,475,077	\$ 39,040,425	\$ 19,565,348

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities					
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,812,967	\$ 4,691,887	\$ 2,030,017	\$ 8,863,258	\$ 29,398,129	\$ 9,349,804
Deposits with third parties	1,900	5,775	2,650	1,050	11,375	469,314
Investments	8,451,694	11,968,646	4,227,018	7,653,403	32,300,761	14,414,646
Customer accounts (net)	7,001,047	660,936	696,065	2,666,649	11,024,697	13,521
Due from other governments	-	-	-	368,610	368,610	-
Interfund loans	-	3,890	-	-	3,890	-
Special assessments (current)	-	13,685	12,739	-	26,424	-
Due from other funds	-	-	-	-	-	46,097
Notes and contracts	-	-	-	150,000	150,000	-
Prepaid items	72,135	-	-	5,822	77,957	203,034
Inventory	7,719,495	513,454	1,040	74,548	8,308,537	98,464
Total current assets	37,059,239	17,858,273	6,969,528	19,783,339	81,670,379	24,594,880
Noncurrent assets:						
Restricted cash and cash equivalents	2,695,464	368,389	367,419	2,240,045	5,671,318	-
Restricted investments	11,689,575	922,049	497,713	4,750,306	17,859,643	-
Leases receivable	388,133	-	-	427,140	815,273	-
Net pension asset	1,854,814	510,555	503,786	3,586,387	6,455,542	891,748
Special assessments (noncurrent)	-	62,978	58,625	-	121,604	-
Land	837,428	5,604	-	8,056,407	8,899,440	-
Depreciable assets (net)	5,764,571	5,726,725	12,300,948	9,068,762	32,861,007	21,721,102
Infrastructure	122,247,615	81,198,469	49,170,854	18,403,074	271,020,012	-
Construction in progress	2,293,993	7,722,272	8,951,385	2,772,085	21,739,736	1,905,216
Total noncurrent assets	147,771,593	96,517,042	71,850,731	49,304,208	365,443,574	24,518,065
Total assets	184,830,832	114,375,315	78,820,259	69,087,547	447,113,953	49,112,945
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow - amount on debt refunding	75,310	150,569	189,334	42,262	457,476	-
Deferred outflow - pension	1,585,624	436,456	430,673	2,327,024	4,779,777	762,329
Deferred outflow - OPEB	50,750	19,226	12,638	7,715	90,329	643
Total deferred outflows of resources	1,711,685	606,250	632,645	2,377,001	5,327,581	762,972
Total assets and deferred outflows of resources	\$ 186,542,517	\$ 114,981,565	\$ 79,452,904	\$ 71,464,548	\$ 452,441,535	\$ 49,875,917
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	6,951,247	856,455	1,663,288	668,831	10,139,820	826,922
Payable to other governments	253,662	47,405	25,249	41,139	367,455	3,920
Due to other funds	-	-	-	-	-	33,269
Interfund loans payable	-	-	-	3,890	3,890	-
Deposits payable	-	56,339	13,868	923,625	993,832	45,773
Leases payable-current	-	-	-	-	-	315,561
Compensated absences-current	397,592	165,500	83,642	251,549	898,284	249,875
Claims and judgments-current	-	-	-	-	-	3,114,241
General obligation bonds payable-current	-	-	-	220,000	220,000	-
Revenue bonds payable-current	2,435,000	524,888	320,113	30,000	3,310,000	-
Notes and contracts payable	-	233,622	83,271	216,057	532,950	-
Total OPEB liability	56,262	21,314	14,010	8,553	100,139	713
Total current liabilities	10,093,763	1,905,523	2,203,440	2,363,644	16,566,370	4,590,272
Noncurrent liabilities:						
Leases payable	-	-	-	-	-	92,813
Compensated absences	397,592	165,500	83,642	251,549	898,284	249,875
Notes and contracts payable	-	1,465,999	604,232	3,157,895	5,228,126	-
General obligation bonds payable	-	-	-	4,406,293	4,406,293	-
Revenue bonds payable	76,564,059	10,303,305	5,878,975	684,210	93,430,549	-
Unearned revenue	569,163	62,978	214,625	177,827	1,024,594	-
Net pension liability	801,160	220,526	217,604	305,094	1,544,384	385,177
Total OPEB liability	625,735	237,045	155,818	95,125	1,113,723	7,927
Landfill closure liability	-	-	-	7,906,529	7,906,529	-
Total noncurrent liabilities	78,957,709	12,455,354	7,154,896	16,984,522	115,552,481	735,792
Total liabilities	89,051,472	14,360,877	9,358,336	19,348,166	132,118,851	5,326,064
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - leases	388,133	-	-	427,140	815,273	-
Deferred inflow - pension	1,068,775	294,190	290,291	1,307,637	2,960,893	513,840
Deferred inflow - OPEB	321,699	121,868	80,108	48,905	572,581	4,075
Deferred inflow - amount on debt refunding	4,513	-	-	-	4,513	-
Total deferred inflows of resources	1,783,120	416,058	370,399	1,783,682	4,353,259	517,915
Total liabilities and deferred inflows of resources	90,834,592	14,776,935	9,728,735	21,131,848	136,472,110	5,843,979
NET POSITION						
Net investment in capital assets	59,310,340	81,790,566	62,275,671	29,510,902	232,887,478	23,217,944
Restricted for:						
Capital improvements	1,380,117	6,273,430	6,168,551	-	13,822,098	-
Debt service	5,909,929	1,304,123	721,871	216,922	8,152,845	-
Pensions	2,363,118	650,470	641,847	4,602,523	8,257,958	1,136,126
Unrestricted	26,744,421	10,186,041	(83,771)	16,002,354	52,849,045	19,677,867
Total net position	\$ 95,707,925	\$ 100,204,630	\$ 69,724,169	\$ 50,332,701	315,969,425	\$ 44,031,938
Net position of internal service funds predominantly serving business-type activities					31,554,053	
Internal payable representing charges in excess of cost to governmental activities-prior years					(5,958,712)	
Internal payable representing charges in excess of cost to governmental activities-current year					(1,417,522)	
Net position of business-type activities					\$ 340,147,244	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities					
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Electric	\$ 77,441,488	\$ -	\$ -	\$ -	\$ 77,441,488	\$ -
Water	-	14,909,843	-	-	14,909,843	-
Sewer	-	-	10,326,000	-	10,326,000	-
Solid waste	-	-	-	12,170,797	12,170,797	-
Stormwater	-	-	-	2,023,723	2,023,723	-
Golf course	-	-	-	2,529,747	2,529,747	-
Medical services	-	-	-	7,249,151	7,249,151	-
Broadband	-	-	-	331,988	331,988	-
Internal service funds	-	-	-	-	-	30,556,289
Other operating revenues	2,700,889	(2,849)	-	30	2,698,069	51,391
Total operating revenues	80,142,376	14,906,994	10,326,000	24,305,435	129,680,805	30,607,680
OPERATING EXPENSES						
Maintenance and operations	43,064,998	5,876,033	4,604,279	16,320,183	69,865,493	22,559,340
Administrative and general	5,334,253	1,543,055	1,250,957	3,138,705	11,266,969	1,906,632
Taxes	9,350,442	2,524,406	1,384,251	1,921,299	15,180,397	-
Depreciation	7,015,016	3,098,450	2,109,841	1,075,948	13,299,256	2,998,726
Total operating expenses	64,764,709	13,041,944	9,349,327	22,456,135	109,612,115	27,464,698
Operating income (loss)	15,377,667	1,865,050	976,673	1,849,301	20,068,690	3,142,982
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	1,233,767	1,000,740	849,974	1,260,645	4,345,126	1,034,938
Disposition of capital assets	-	-	-	-	-	100,000
Miscellaneous nonoperating revenues/(expenses)	(99,147)	7,872	10,971	1,231,321	1,151,017	722,226
Insurance recoveries	-	114,273	-	-	114,273	-
Interest expense	(2,975,533)	(342,653)	(209,952)	(260,122)	(3,788,259)	(36,432)
Debt costs	(480,847)	-	-	-	(480,847)	-
Total nonoperating revenues (expenses)	(2,321,761)	780,233	650,993	2,231,844	1,341,309	1,820,732
Income (loss) before contributions and transfers	13,055,907	2,645,283	1,627,665	4,081,145	21,409,999	4,963,713
Transfers in	-	-	3,945	663,399	667,344	840,035
Transfers out	(30,000)	(63,000)	(122,263)	(17,117)	(232,380)	(47,500)
Capital contributions	2,207,346	1,203,042	1,151,251	273,993	4,835,632	-
Change in net position	15,233,253	3,785,325	2,660,598	5,001,419	26,680,595	5,756,248
Total net position - beginning	80,474,672	96,419,305	67,063,571	45,081,281	289,038,830	38,275,690
Prior period adjustment	-	-	-	250,000	250,000	-
Total net position - ending	\$ 95,707,925	\$ 100,204,630	\$ 69,724,169	\$ 50,332,701	\$ 315,969,425	\$ 44,031,938
Net change in enterprise funds net position					26,680,595	
Change in net position of internal service funds predominantly serving business -type activities					5,315,608	
Internal payable representing charges in excess of cost to governmental activities -current year					(1,417,522)	
Changes in net position of business-type activities					\$ 30,578,681	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 82,909,001	\$ 15,046,106	\$ 10,469,674	\$ 24,209,915	\$ 132,634,696	\$ 14,945,195
Receipts from interfund services provided	-	-	-	-	-	15,684,930
Payments to employees	(895,833)	(2,814,282)	(2,773,678)	(9,410,107)	(15,893,900)	(4,675,057)
Payments to suppliers	(50,863,395)	(3,187,006)	(756,270)	(4,024,937)	(58,831,608)	(18,305,658)
Taxes paid	(6,582,526)	(2,482,502)	(1,360,384)	(1,863,874)	(12,289,287)	(75,663)
Payments for interfund services used	(3,282,215)	(2,583,787)	(1,828,840)	(6,862,995)	(14,557,837)	(1,394,878)
Net cash provided (used) by operating activities	21,285,032	3,978,529	3,750,502	2,048,002	31,062,065	6,178,869
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(30,000)	(63,000)	(122,263)	(12,301)	(227,564)	(47,500)
Grants and contributions	-	-	-	712,022	712,022	-
Reimbursements and recoveries	-	120,580	10,124	21,066	151,771	343,295
Transfers from other funds	-	-	3,945	658,583	662,528	844,564
Interfund loan principal payments received	-	3,890	-	-	3,890	(17,358)
Net cash provided (used) by noncapital financing activities	(30,000)	61,470	(108,194)	1,379,370	1,302,646	1,123,002
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Lease interest payments received	-	-	-	683	683	-
Principal paid on debt	(2,295,000)	(1,743,528)	(801,316)	(466,240)	(5,306,084)	(119,610)
Interest paid on debt	(3,747,152)	(486,444)	(292,229)	(265,682)	(4,791,508)	(36,432)
Payments related to acquisition, construction or improvements of capital assets	(12,260,951)	(3,631,044)	(9,359,564)	(3,867,403)	(29,118,963)	(6,949,008)
Bond issuance costs	(117,873)	-	-	(257)	(118,130)	-
Interfund loan principal paid	-	-	-	(3,890)	(3,890)	-
Proceeds from sale of capital assets	-	-	-	-	-	481,542
Proceeds from capital grants and contributions	2,106,115	749,357	882,746	(5,460)	3,732,758	-
Proceeds from debt	8,124,910	-	-	-	8,124,910	-
Net cash provided (used) by capital and related financing activities	(8,189,951)	(5,111,659)	(9,570,363)	(4,608,250)	(27,480,224)	(6,623,509)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of interest	1,235,423	474,522	283,935	879,774	2,873,655	599,748
Investments sold	15,864,834	-	-	-	15,864,834	-
Investments purchased	(21,225,675)	4,294,860	7,041,948	4,562,302	(5,326,565)	2,557,296
Net cash provided (used) by investing activities	(4,125,418)	4,769,382	7,325,883	5,442,076	13,411,924	3,157,044
Net increase (decrease) in cash and cash equivalents	8,939,663	3,697,722	1,397,828	4,261,198	18,296,411	3,835,406
Balances - beginning of year	7,568,768	1,362,554	999,608	6,842,106	16,773,036	5,514,398
Balances - end of the year	\$ 16,508,431	\$ 5,060,276	\$ 2,397,436	\$ 11,103,303	\$ 35,069,447	\$ 9,349,804
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income	\$ 15,377,667	\$ 1,865,050	\$ 976,673	\$ 1,849,301	\$ 20,068,690	\$ 3,142,982
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	7,015,016	3,098,450	2,109,841	1,075,948	13,299,256	2,998,726
Accrued pension and OPEB expense	(1,228,349)	(412,772)	(228,004)	(653,349)	(2,522,474)	(559,463)
Changes in assets and liabilities:						
Accounts Payable - Supplier	625,182	(430,780)	725,647	138,084	1,058,133	457,320
Customer Receivables	941,237	142,374	143,454	(90,863)	1,136,202	22,445
Inventory	(2,152,723)	(350,168)	-	2,215	(2,500,676)	(8,358)
Salaries & Benefits Payable	(19,967)	66,375	22,891	(283,960)	(214,660)	74,324
Unearned revenues	256,020	-	-	16,448	272,468	-
Prepaid items	452,507	-	-	(5,822)	446,685	43,928
Other income and adjustments	18,439	-	-	-	18,439	-
Deposits with third party	-	-	-	-	-	6,964
Net cash provided (used) by operating activities	\$ 21,285,030	\$ 3,978,529	\$ 3,750,502	\$ 2,048,002	\$ 31,062,063	\$ 6,178,869
Noncash investing, capital and financing activities						
Contribution of capital assets	\$ 117,588	\$ 453,685	\$ 268,505	\$ 273,993	\$ 1,113,771	\$ -

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2023

	<u>Custodial Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,085,621
Other current assets	6,558
Receivables:	
Accounts receivable	432,729
Due from other governments	516,087
Leases receivable	96,909
Total receivables	<u>1,045,726</u>
Total current assets	<u>7,137,906</u>
Noncurrent assets:	
Land	14,593
Depreciable assets (net)	4,401,864
Total noncurrent assets	<u>4,416,457</u>
Total assets	<u>11,554,363</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - leases	407,125
Total deferred outflows of resources	<u>407,125</u>
Total assets and deferred outflows of resources	<u>11,961,488</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 256,756
Salaries payable	197,182
Total current liabilities	<u>453,938</u>
Noncurrent liabilities:	
Employee leave benefits	197,182
Leases payable	456,231
Total noncurrent liabilities	<u>653,414</u>
Total liabilities	<u>1,107,351</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - leases	\$ 96,909
Total deferred inflows of resources	<u>96,909</u>
Total liabilities and deferred inflows of resources	<u>1,204,261</u>
NET POSITION	
Net investment in capital assets	\$ 4,274,590
Restricted for organizations and other governments	6,482,638
Total net position	<u>\$ 10,757,227</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Collections from participants	\$ 6,642,476
Grant revenues	1,019,613
Tax revenues	2,924,446
Site and facilities rent	34,453
Contribution for capital projects	1,250,000
Interest earnings	144,960
Total additions	<u>12,015,947</u>
DEDUCTIONS	
Supplies	\$ 29,256
Charges for goods and services	7,624,461
Repairs and maintenance	1,675,292
Admin services - Richland	564,900
Disposition of capital assets	2,819
Depreciation expense	806,049
Total deductions	<u>\$ 10,702,777</u>
Net increase (decrease) in fiduciary net position	1,313,171
Net Position -- beginning	9,569,245
Prior period adjustment	(125,188)
Net Position -- ending	<u>\$ 10,757,227</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

THE REPORTING ENTITY

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

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

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

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

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

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

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

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

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

Custodial funds account for resources that are legally held in trust or custodial capacity for others, and therefore cannot be used to support the City’s own programs. Custodial funds include: 1) Columbia Point Master Association Fund, 2) Uptown Business Improvement District Fund, 3) Downtown Business Improvement District Fund, 4) Southeast Communication Fund, 5) 800 MHz Radio Fund, 6) Microwave Fund 7) Emergency Management Fund and 8) VHF Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

BUDGET INFORMATION

The City's annual budget process begins early in the year with the development of the budget calendar, followed by workshops to identify priority parameters for the upcoming budget cycle. Formal budget preparation begins in May and lasts through September. As preparation progresses, meetings between staff

and the City Manager are held to prioritize services and identify key projects to be incorporated into the budget. All requests are thoroughly reviewed to ensure they are cohesive with the City's strategic plan and overall financial picture. The City Manager submits the proposed budget to the City Council in October and it is available on October 1st for public review, with a public hearing taking place in November to provide a forum for public comment. First reading is given to the budget ordinance in November with final adoption occurring two weeks later. The formally adopted budget takes effect on January 1st of the ensuing year.

Annual appropriated budgets are adopted by ordinance in accordance with Revised Code of Washington (RCW) 35.33, for all city funds, and all appropriations lapse at year-end. When necessary, a carryover ordinance is adopted in the following year to carry forward capital projects and items outstanding at year-end in accordance with RCW 35.33.151. There is no substantial difference between the budgetary basis and GAAP.

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

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

Budgetary information reported in the basic financial statements includes the original adopted budget and a comparison of final amended budget to expenditures for the General Fund and major Special Revenue Funds. Budgetary information for all other nonmajor governmental funds is reported in the combining and individual fund statements section following the notes.

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

ASSETS, LIABILITIES AND NET POSITION

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

City of Richland, Washington
Annual Comprehensive Financial Report
Notes to the Financial Statements
For the Year Ended December 31, 2023

PURPOSE	ELECTRIC	WATER	SEWER	SOLID WASTE	STORM WATER	COLUMBIA PT GOLF COURSE	TOTAL
Capital Improvements	\$ 1,380,117		\$ 156,000				\$ 1,536,117
Landfill Closure/Post Closure				2,060,011			2,060,011
Debt Service	1,315,347	368,389	211,419	144,028	13,575	22,432	2,075,190
Total Restricted	\$ 2,695,464	\$ 368,389	\$ 367,419	\$ 2,204,039	\$ 13,575	\$ 22,432	\$ 5,671,318

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The City's total deposits as of December 31, 2023, are as follows:

Treasurer's Cash, Net	\$ 5,101,512
Held by Component Unit	\$ 63,173
Deposits In Transit	\$ 1,744,919
Petty Cash/Change Funds	\$ 6,050
Deposits with Fiscal Agent	\$ 1,193
Outstanding Checks	\$ (2,362,602)
Retainage Held by 3rd Party	\$ -
Unreconciled Items	\$ (5,174)
Total Deposits	\$ 4,549,070

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

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

The City is required to certify their budget with the Clerk of the Board of County Commissioners by November 30th and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the City of Richland at 100% of the fair market value of the property listed as of the prior May 31st as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with firefighter's pensions) by the Washington State Constitution and State law (RCW 84.55.010 and 84.55.0101). Special levies are approved by voters and not subject to the limitations. In 2023, the City's regular tax levy was \$2.0181 per \$1,000 on an assessed valuation of \$9,959,759,806 for a total regular levy of \$20,099,838 (after the appeals process). In addition, there were special levies for debt service on general obligation debt issued for capital acquisitions or construction at \$0.1552 per \$1,000 of assessed valuation of \$9,917,634,950 totaling \$1,539,642 (after the appeals process). The composite City of Richland levy was \$2.1733 per \$1,000 of assessed valuation for a total levy of \$21,639,481.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are remitted daily by the Treasurer in accordance with RCW 84.56.230. Tax bills are mailed on

February 14th, and the first of two equal installments is due on April 30th with the final installment due on October 31st. Penalties of 3% and 8% are assessed on June 1st and December 1st, respectively, on the current year delinquent taxes. In addition to the penalties, unpaid balances accrue interest of 1% of the outstanding balance beginning May 1st of the following year.

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

General Fund	\$250,612
Other Governmental Funds	
Library Remodel Bond Fund	19,033
TOTAL	<u>\$269,645</u>

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

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

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

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

Assessments - These consist of assessments receivable from local improvement districts. The receivable is established when the final assessment roll has been adopted. No allowance for uncollectible assessments is recorded because delinquent assessments are considered fully collectible. Assessments are deferred for one year from the date of the adoption of the final assessment roll. Long-term assessments in the Special Assessment Debt Service Fund are offset by deferred inflows, as they are considered unavailable to finance expenditures of the current period. As of December 31, 2023, the City had the following assessment balances:

	Current Assessments	Delinquent Assessments	Long Term Assessments	Deferred Inflows	Fund Total
Debt Service Fund Assessments Receivable (LIDs)	\$ 1,582	\$ -	\$ 1,426	\$ (1,426)	\$ 1,582
Water Fund Assessments Receivable	(0)	13,685	62,978	-	76,663
Sewer Fund Assessments Receivable	0	12,739	58,625	-	71,364
Total	\$ 1,582	\$ 26,424	\$ 123,029	\$ (1,426)	\$ 149,610

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

Other Governmental Funds

CDBG fund	\$ 692,190
Home fund	<u>703,324</u>
Total	<u>\$ 1,395,514</u>

The Columbia Point Golf Course also has a \$150,000 working capital advance from the City, which was established as part of a management contract for daily operation of the City’s golf course.

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

The following table shows a summary of the interfund balances for the year ended December 31, 2023:

OWED TO...	OWED BY...			
	Other Governmental	Other Enterprise	Internal Service	TOTAL
Water Fund	\$ -	\$ 3,890	\$ -	\$ 3,890
Internal Service	12,828	-	33,269	46,097
Total	\$ 12,828	\$ 3,890	\$ 33,269	\$ 49,987

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

OWED TO...	OWED BY...	
	Other Enterprise	TOTAL
Reported In	Columbia Point Golf Course	
Water Fund	\$ 3,890	\$ 3,890
Total	\$ 3,890	\$ 3,890

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

OWED TO...		OWED BY ...		
		Internal Service	Other Governmental	TOTAL
Reported In	Fund	Central Stores	TBD	
Internal Service	Equipment Replacement	\$ 33,269	\$ 12,828	\$ 46,097
Total		\$ 33,269	\$ 12,828	\$ 46,097

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

Investment in Joint Ventures - These consist of the following:

Benton County Emergency Services (BCES) - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton and Franklin County Fire Protection Districts and the Public Utility District #1 of

Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton and Franklin County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2023 for these services was \$564,900. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

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

The City of Richland's equity interest in SECOMM as of December 31, 2023 was \$1,202,241 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

800 MHz - 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Framatome Corporation. Radios are charged an annual fee per radio to generate the funds necessary to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2023 was \$836,615 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

Microwave - The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each owns an equal share of Microwave's net assets. The City of Richland's equity interest in Microwave as of December 31, 2023 was \$56,087 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

BCEM - BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the

Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Richland's equity interest in BCEM as of December 31, 2023 was \$31,436 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

VHF - The VHF assets and system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. This is a new fund and participants will be the various fire agencies. The City of Richland's equity interest in VHF as of December 31, 2023 was \$0. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

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

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

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

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, and risk management and information systems. The total amount paid by BI-PIN in 2023 for these transactions was \$53,706.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all supporting infrastructure. The City of Richland's equity interest in BI-PIN was \$282,967 on December 31, 2023, which is reported as an investment in joint ventures in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

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

Metro Drug Forfeiture Fund - The Metropolitan Controlled Substance Enforcement Group (Metro) was established prior to 1987, when an Interlocal Agreement was entered into by six participating municipal corporations, the Cities of Kennewick, Pasco, Richland, and West Richland, and Benton and Franklin Counties. Metro was established to account for the proceeds of forfeitures, Federal grants, and court ordered contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and

investigations. Metro is served by an Executive Committee composed of the City Manager or designee of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity. Effective July 1, 2009, the City of Kennewick assumed responsibility for the operation of Metro. As the operating jurisdiction, Kennewick provides accounting services for the operation of Metro.

The City of Richland's equity interest in Metro was \$67,166 on June 30, 2023, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the Government-wide Statement of Activities under Public Safety. The City does not anticipate any income distributions from Metro.

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

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

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

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

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

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

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

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

Liabilities

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

Payable to Other Governments – In governmental activities, these consist primarily of amounts owed to Washington State for their share of City activities (e.g. gun permits, business licenses, etc.), leasehold, sales and other taxes payable. In business-type activities, these consist primarily of taxes due to Washington State, debt service accrual for principal and interest payments of State loans.

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

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

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

Subscription Based Information Technology Agreements (SBITAs) – GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) was implemented as of December 31, 2023. A SBITA is defined as a contract that conveys control of the right to use another party's IT software, alone, or in combination with tangible underlying IT assets, in an exchange or exchange-like transaction for a period exceeding 12 months. The government is required to recognize a subscription liability and an intangible right-to-use subscription asset. Cash outlays necessary to place the subscription asset in service can be capitalized during the initial project implementation stage. (See Note 16 – SBITAs)

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

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

The City's financial statements recognize a proportionate share of Net Pension Liability (NPL), Net Pension Asset (NPA), deferred inflows and outflows and pension expense for the state sponsored pension plans LEOFF 1 and 2, PERS 1, 2 and 3. Allocations to proprietary funds are reported on proprietary fund statements and allocations to governmental funds are reported on the Government Wide Statement of Net Position.

The City's financial statements also include two local government pre-LEOFF pension plans that are reported pursuant to GASB Statement No. 73 requirements. The plans are not administered through a trust and for this reason were reclassified from fiduciary funds to the general fund in 2018. Total Pension Liability (TPL) for pre-LEOFF plans is reported on the Government Wide Statement of Net Position.

Pension plans are discussed in more detail in Note 10.

Total Other Post-Employment Benefits (OPEB) Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information of the City's Retiree Health Benefit Plan and City's LEOFF 1 Fire and Police Plans (the Plans) have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. The City's total OPEB liability was valued as of December 31, 2022, and was used to calculate the total OPEB liability measured as of December 31, 2023. The City implemented GASB Statement No. 75 in 2018. OPEB is discussed in detail in Note 9.

Other Long-term Liabilities - Revenue bonds and other long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other City of Richland long-term debt is reported in the governmental column of the government-wide statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line interest method since it is not materially different from the effective interest method. Bonds payable are reported net of the premium or discount. Bond issuance costs are reported as costs of the current period. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt is reported as other financing sources when received. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost is reported as debt service expenditures. Long term encompasses bonds, notes, contracts payables, leases and SBITAs. Note 4 elaborates the full extent of the City's long-term liabilities.

Deferred Charges and Outflows/Inflows of Resources

In addition to assets, the Statements of Financial Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement component represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources until those periods occur.

In addition to liabilities, the Statements of Financial Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement component represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources until such time. The City has uncollected property taxes levied and unbilled special assessments levied against benefitted property

for the cost of local improvements. These deferred inflows are reported in the governmental funds balance sheet.

Net Position, Equity and Fund Balances

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

Classification of Fund Balances – GASB Statement No. 54 requires fund balances to be classified as either; nonspendable, restricted, committed, assigned, or unassigned, based on the level of constraint upon the resources contributing to them. *Restrictions* of fund balance follow the same policy as restricted net position described in the previous section. Resources and related fund balances are *committed* to a use or purpose by the City's highest level of decision-making authority, represented by the City Council. The City Council can commit resources by ordinance during any Council meeting where a quorum is present. Similar action must be taken to change the commitment of resources. Resources are often *assigned* for specific purposes by management-level staff, usually when that resource relates to a specific function, which does not necessarily require Council action. Other than in the General fund, this is the least restrictive classification for fund balance. The City does not have a formal policy governing the assignment of resources. In the General fund, fund balances for which no constraint is made on use are considered *unassigned*.

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

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

Minimum Fund Balance – The City's financial policies, as outlined in the 2023 annual budget document, state that minimum reserves should be maintained in the General Fund at no less than 16.7% , or two months, of projected annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

Deficit Fund Equity – The City's Transportation Benefit District fund reported a deficit fund balance at December 31, 2023, in the amount of \$12,828. Interfund transfers out to finance capital and operating expenditures in the Streets Fund and Streets Capital Construction funds were made according to budget, but revenues came in slightly below budget.

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

Prior Period Adjustments – Occasionally, a prior period adjustment is required to adjust fund balance for corrections of prior year amounts that should not flow through the current year Revenue and Expenditure statements. The following table itemizes all the prior period adjustments made in 2023, along with the purposes for the adjustments:

	Purpose for Adjustment	Increase / (Decrease) due to adjustment		
		Assets	Liabilities	Net Position
Enterprise Funds:				
Stormwater	1	250,000	0	250,000
Total Enterprise Funds		250,000	-	250,000
Custodial Funds:				
Southeast Communications Center	2		118,931	(118,931)
Benton County Emergency Management	3		6,258	(6,258)
Total Custodial Funds		-	125,189	(125,189)
Total prior period adjustments - all funds		\$ 250,000	\$ 125,189	\$ 124,811
Government-wide Financial Statements				
Governmental Activities:				
Adjustment to value of Infrastructure	4	450,000	0	450,000
Adjustment to value of Infrastructure	5	550,000	0	550,000
Adjustment to lease liability	6		1,672	(1,672)
Total Governmental Activities		1,000,000	1,672	998,328
Total prior period adjustments - all funds and govt activities		\$ 1,250,000	\$ 126,861	\$ 1,123,139

Purpose for adjustments:

- Expenditures on the Columbia Park Trail Improvements - East project were understated by \$250,000 in 2021. Reimbursement amount from the Port of Kennewick was recorded as a reduction of the project cost instead of revenue. The total amount reported as noncurrent assets in the category of infrastructure (net) was understated as a result.
- Prior period capitalization error identified in the fixed asset module.
- Prior period capitalization error identified in the fixed asset module.
- Expenditures on the Center Parkway North project were understated by \$250,000 in 2021, and \$200,000 in 2022. Reimbursement amounts from the Port of Benton, and Port of Kennewick were recorded as a reduction of the project cost instead of revenue. The total amount reported as noncurrent assets in the category of infrastructure (net) was understated as a result.
- Expenditures on the Columbia Park Trail Improvements - East project were understated by \$150,000 in 2021, and \$400,000 in 2022. Reimbursement amount from the Port of Kennewick was recorded as a reduction of the project cost instead of revenue. The total amount reported as noncurrent assets in the category of infrastructure (net) was understated as a result.
- In 2022, the calculation for principal payments related to leases was overstated by \$1,672.

NOTE 2. INVESTMENTS

Investments Measured at Amortized Cost

As of December 31, 2023, the City held the following investments at amortized cost:

<u>Type of Investment</u>	<u>Maturities</u>	
State Investment Pool (LGIP)	Average 17 days	79,681,321
Total		79,681,321

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

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

Investments Measured at Fair Value

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

Custodial Credit Risk: The risk that in event of a failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investments are all insured, registered and held by its agents in the City's name. The City has no formal policy for custodial credit risk.

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

Concentration of Credit Risk: The City does not have a formal policy addressing concentration of credit risk. The following represents the allocation and credit rating of City investments by type of security as of December 31, 2023:

Federal Home Loan Mortgage Corporation	AAA	2.9%
Federal National Mortgage Association	AAA	3.4%
Federal Home Loan Bank	AAA	25.2%
U. S. Treasury Securities	AAA	9.3%
Municipal Bonds	A- to AAA	17.8%
Local Governmental Investment Pool	Unrated	41.0%
Pension Mutual Funds	Unrated	0.3%

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

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

At December 31, 2023, the City had the following investments at fair value:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturities
<u>GOVERNMENTAL ACTIVITIES</u>				
U. S. Treasury Securities	\$ 9,283,773	\$ 9,283,773	\$ -	0.28
U.S. Government Securities	31,462,999	-	31,462,999	1.59
Municipal Bonds	17,758,337	-	17,758,337	0.66
Bond Mutual Funds	628,994	628,994	-	N/A
Subtotal Governmental Activities	59,134,103	9,912,767	49,221,336	
<u>BUSINESS TYPE ACTIVITIES</u>				
U. S. Treasury Securities	8,795,152	8,795,152	-	0.28
U.S. Government Securities	29,807,045	-	29,807,045	1.59
Municipal Bonds	16,823,684	-	16,823,684	0.66
Subtotal Business Type Activities	55,425,881	8,795,152	46,630,729	
Total Investments by Fair Value Level	<u>\$ 114,559,984</u>	<u>\$ 18,707,919</u>	<u>\$ 95,852,065</u>	

NOTE 3. CAPITAL ASSETS

Governmental Activities - A summary of governmental capital assets for the year ended December 31, 2023 is presented in the following table:

Governmental activities	Balance January 1, 2023	Increases	Decreases	Transfers /Reclassifications	Balance December 31, 2023
<u>Capital Assets, not being depreciated:</u>					
Land	\$10,318,311	\$450,603	-	-	\$10,768,914
Construction in progress	9,770,358	10,649,400	(9,072,090)	-	11,347,669
Total capital assets, not being depreciated	20,088,669	11,100,003	(9,072,090)	-	22,116,582
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	101,872,336	2,803,511	-	-	104,675,847
Machinery and equipment	9,973,890	559,901	-	-	10,533,790
Infrastructure	296,353,337	9,828,567	-	-	306,181,904
Intangibles	3,618,733	432,421	-	-	4,051,154
Total capital assets, being depreciated	411,818,295	13,624,401	-	-	425,442,695
Less accumulated depreciation for:					
Buildings and improvements	(43,892,554)	(2,778,594)	-	-	(46,671,148)
Machinery and equipment	(8,227,871)	(427,726)	-	-	(8,655,596)
Infrastructure	(172,130,831)	(5,007,614)	-	-	(177,138,445)
Intangibles	(1,417,463)	(413,302)	-	-	(1,830,765)
Total accumulated depreciation	(225,668,718)	(8,627,235)	-	-	(234,295,953)
Total capital assets being depreciated, net	186,149,577	4,997,166	-	-	191,146,742
Governmental activities capital assets, net	\$206,238,246	\$16,097,168	(\$9,072,090)	-	\$213,263,325

Depreciation expense was charged as follows:

FUNCTION	TOTAL
General government	\$1,551,992
Public safety	540,505
Transportation	4,837,916
Economic environment	192,200
Culture & recreation	1,504,622
Physical environment	-
Total Depreciation Expense	\$8,627,235

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The following is a list of construction commitments existing as of December 31, 2023 in the City's governmental-type activities.

Fund	Project	Spent as of December 31, 2023	Remaining Committed
Major Funds:			
General Fund	Library STEAM Space improvements	252,504	280
General Fund Total		252,504	280
Streets Capital Construction	Duportail Bridge	29,294,932	260,816
Streets Capital Construction	Henderson Loop Phase 2	1,791,786	95,721
Streets Capital Construction	Citywide Traffic Signal System Safety Improvements	999,440	14,983
Streets Capital Construction	Center Parkway South - Leslie to Clearwater	418,372	49,692
Streets Capital Construction	Columbia Park Trail Improvements - East	4,235,723	9,616
Streets Capital Construction	Clubhouse Lane Extension Phase 2	176,852	941,355
Streets Capital Construction	Center Parkway North - Gage to Tapteal	6,488,599	202,947
Streets Capital Construction	South George Washington Way Intersection Improvements	1,088,103	422,199
Streets Capital Construction	ADA Curbs and Wheelchair Ramps	357,326	44,909
Streets Capital Construction	Downtown Connectivity Improvements	485,344	93,071
Streets Capital Construction	Jadwin Avenue at Catskill Street Pedestrian Crossing	250,968	12,055
Streets Capital Construction	Vantage Highway Pathway Phase 2	705,766	14,939
Streets Capital Construction	Van Giesen and Shelterbelt trail Improvements	143,861	6,019
Streets Capital Construction	Citywide Sidewalk Connectivity Improvements	51,667	234,777
Streets Capital Construction	Jadwin Avenue School Walking Route Improvements	49,239	252,380
Streets Capital Construction Fund Total		46,537,979	2,655,479
Non-Major Funds:			
Parks Construction	Howard Amon Park Improvements	163,984	44,717
Parks Construction	Badger Mountain Trail Improvements	532,622	30,028
Parks Construction	Claybell Park Speed Hump	117,013	30,581
Parks Construction	Shoreline Enhancements	149,889	10,107
Parks Construction	Leslie Groves Park Enhancements	36,704	4,311
Parks Construction	West Village Park at Badger Mountain South	302,690	2,312,498
Parks Construction	Library Outdoor Children's Area	22,768	31,715
Parks Construction	Badger Mountain Park North Parking Lot	967,764	642,376
Parks Construction	South Orchard Park at Badger Mountain South	10,674	19,326
Non-Major Funds Total		2,304,108	3,125,659

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

Fund		Encumbered as of December 31, 2023
Major Funds:		
	General Fund	\$1,069,095
	Industrial Development Fund	173,719
	Streets Capital Construction Fund	455,368
Non-Major Funds:		
	Total Non-Major Funds	498,881
TOTAL		\$2,197,064

Business-Type Activities - A summary of business-type capital assets for the year ended December 31, 2023 is presented in the following table:

Business-type activities	Balance January 1, 2023	Increases	Decreases	Transfers /Reclassifications	Balance December 31, 2023
<u>Capital Assets, not being depreciated:</u>					
Land	\$8,831,785	\$67,655	\$ -	-	\$8,899,440
Construction in progress	12,667,327	20,332,994	(9,355,369)	-	23,644,952
Total capital assets, not being depreciated	21,499,112	20,400,649	(9,355,369)	-	32,544,392
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	56,556,642	3,224,498	-	-	59,781,140
Machinery and equipment	58,017,054	5,922,532	(1,718,964)	-	62,220,622
Infrastructure	461,446,619	17,344,528	-	-	478,791,147
Total capital assets, being depreciated	576,020,315	26,491,558	(1,718,964)	-	600,792,909
Less accumulated depreciation for:					
Buildings and improvements	(34,052,565)	(978,547)	-	-	(35,031,112)
Machinery and equipment	(30,467,910)	(3,668,917)	1,748,285	-	(32,388,542)
Infrastructure	(195,836,442)	(11,934,693)	-	-	(207,771,135)
Total accumulated depreciation	(260,356,917)	(16,582,157)	1,748,285	-	(275,190,789)
Total capital assets being depreciated, net	315,663,398	9,909,401	29,321	-	325,602,120
Business-type activities capital assets, net	\$337,162,510	\$30,310,050	(\$9,326,048)	-	\$358,146,512

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The following is a list of construction commitments existing as of the year ended December 31, 2023 in the City's business-type activities:

Fund	Project	Spent as of December 31, 2023	Remaining Committed
Major Funds:			
Electric	Underground Cable Replacement	1,303,221	612,779
Electric	City View Substation	4,402,840	178,160
Electric	Pole Replacement	575,555	70,445
Electric Utility Fund Total		6,281,616	861,384
Water	Columbia Park East Trail East System Improvements	68,922	1,515
Water	Pavement Preservation Program	36,251	1,305
Water	Reservoir Recoating Improvements	387,493	14,572
Water	Sunset/Montana Water Main Replacement	27,164	535,455
Water	Torbett-McPherson Water Main Replacement	2,680,253	109,735
Water	Booster Pump Stations 400 Area	950,707	107,153
Water	WTP Roof Replacement	288,692	12,350
Water	WTP UV Upgrades	1,298,764	2,122
Water	Intake Pumps Upgrades	148,366	8,831
Water	Chief Joseph Middle School Irrigation Well	164,730	6,208
Water	Automated Meter Reading (AMI) System	6,246,849	404,950
Water	Tapteal Pump Station Upgrade	517,755	70,547
Water	SCADA (Security Control & Data Acquisition) Update	6,962	28,236
Water Utility Fund Total		12,822,907	1,302,979
Sewer	B Basin Trench Rehabilitation	1,150,409	39,079
Sewer	Torbett-McPherson Water Main Replacement	113,384	5,101
Sewer	WWTP Boiler Replacement	302,586	302,489
Sewer	Wastewater Treatment Facility Aeration Basin #2 Retrofit	8,616,708	3,804,098
Sewer	Waste Water Treatment Facility Digester Improvements	1,796,428	154,850
Sewer	WWTP HVAC Improvements	113,283	18,239
Sewer	SCADA (Security Control & Data Acquisition) Update	11,729	28,236
Sewer	Columbia Park East Trail East System Improvements	6,020	318
Sewer	Battelle Lift Station Improvements	86,546	3,512
Sewer	Sewer Rehabilitation	62,884	23,975
Sewer	Columbia River Outfall and Effluent Flow Sample Enclosure	151,677	1,930
Wastewater Utility Fund Total		12,411,654	4,381,827
Non-Major Funds:			
Solid waste	Landfill Gas Collection System Ph 1	2,581,421	194,584
Solid waste	Design Costs - Phase 2 Closure	28,756	24,566
Stormwater	Columbia Park Trail West/Leslie	895,572	34,836
Stormwater	Hains Ave Storm Outflow Retro	455,617	32,030
Stormwater	Columbia Park Trail East	820,896	263
Stormwater	DOT Surplus Regional Facility	882	24,118
Non-Major Funds Total:		4,783,144	310,397

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

Fund		Encumbered as of December 31, 2023
Major Funds:		
	Electric Utility Fund	\$2,702,922
	Water Utility Fund	89,133
	Wastewater Utility Fund	84,325
Non-Major Funds:		
	Total Non-Major Funds	349,794
TOTAL		\$3,226,174

NOTE 4. LONG-TERM DEBT AND LIABILITIES

Governmental Activities

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes, loans payable to state agencies, and Local Program loans through Office of the State Treasurer, 4) total Other Post-Employment Benefits (OPEB) Liability, 5) Net and Total Pension Liability, 6) refunded bonds, and 7) right-to-use leases and subscriptions. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2023.

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

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

Total OPEB Liability – As described in Note 9, the City administers a single-employer defined benefit post-employment healthcare plan, providing healthcare insurance for eligible retirees, their spouses, and their children. The City is also responsible for administering two OPEB Plans for Pre LEOFF police officers and

firefighters. The Total OPEB Liability (TOL) at year end for each plan is included in the long-term debt table presented later in this section. GASB Statement No. 75 was implemented in 2018. A large part of GASB Statement No. 75 was improving the approach to measuring the liability and requiring governments to report the liability on their financial statements. The TOL for all fund types as of December 31, 2023, was \$10,645,049. The TOL as of December 31, 2023, related to governmental activities was \$9,422,548. The current portion of the TOL for governmental activities was \$756,844.

Net and Total Pension Liability – GASB Statement No. 68 became effective with the 2015 ACFR. As such, the City is required to report a proportionate share of the State’s pension liability from the PERS 1, 2 and 3, LEOFF 1 and 2 State Pension Plans. LEOFF Plans and PERS Plans 2 and 3 have Net Pension Assets which are not reflected in this section, however PERS Plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City’s share of the Net Pension Liability for PERS 1 was \$4,195,662 of which \$2,266,099 was related to governmental activities. This amount has been allocated to Governmental activities and Business type activities based on the contributions of each fund. Governmental Funds are only reported on the Statement of Net Position; however, proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF police and fire officers. The Total Pension Liability (TPL) for each of those plans is included in the long-term debt table presented later in this section. These two plans are reported in accordance with GASB 73, which became effective for the City with the 2018 ACFR.

Refunded Bonds – In prior years, the City defeased certain general obligation bonds by placing a portion of the proceeds from new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City’s financial statements. At December 31, 2023, no bonds outstanding are considered defeased.

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

Subscription Based Information Technology Agreements (SBITAs)– The City implemented GASB Statement No. 96 where a contract that conveys control of the right to use another party’s IT software, alone or in combination with tangible underlying IT assets, in an exchange or exchange-like transaction for a period exceeding 12 months. The city holds several SBITAs such as information technology hardware and software.

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The following table provides a complete and comprehensive record of all long-term governmental liabilities as of December 31, 2023:

Schedule of Long-Term Liabilities

Governmental Activities:

Long-Term Debt:

Unlimited Tax General Obligation Bonds- Voted								
Purpose	Issuance Amount	Maturity Date	Interest Rate	Current Balance January 1, 2023	Additions	Reductions	Ending Balance December 31, 2023	Amounts Due Within One Year
2015 Refunding UTGO Police Station/Community Center/Library Remodel	14,385,000	12/1/2026	2.00%-5.00%	6,050,000	-	1,355,000	4,695,000	1,445,000
Total Unlimited Tax General Obligation Bond Debt							4,695,000	1,445,000
Limited Tax General Obligation Bonds - Nonvoted, Councilmanic								
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	3,170,000	12/1/2039	2.00%- 4.30%	1,090,000	-	70,000	1,020,000	75,000
2013A LTGO LRF to finance infrastructure in RAISE area	10,050,000	12/1/2037	1.125%-4.00%	7,610,000	-	395,000	7,215,000	410,000
2014 LTGO Fire Station #74 Construction	3,355,000	12/1/2034	2.0%-4.0%	2,285,000	-	155,000	2,130,000	160,000
2017 LTGO & Refunding & 2006 Refunding Bonds (City Hall Portion)	13,255,000	12/1/2045	3.0%-5.0%	12,345,000	-	325,000	12,020,000	335,000
2017 LTGO & Refunding & 2006 Refunding Bonds (2006 Refunding Portion)	2,875,000	12/1/2045	2.0%-4.0%	960,000	-	225,000	735,000	235,000
Local Fire Stations 73 & 75	5,445,000	6/1/2040	2%	5,115,000	-	180,000	4,935,000	190,000
Total Limited Tax General Obligation Bond Debt							28,055,000	1,405,000
Unamortized Premiums				3,778,963	-	323,799	3,455,164	-
Total General Obligation Bond Debt Net of Unamortized Premiums							31,510,164	1,405,000
Other Governmental Liabilities								
C2003-148- Community Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	780,000	1/1/2026	1%	219,511	-	54,061	165,450	54,602
WSDOT Rail Loan for Streets	399,982	7/1/2025	0%	119,995	-	39,998	79,997	39,998
Compensated Absences				4,103,905	4,098,117	3,070,297	5,131,725	2,748,870
Net Pension Liability- State PERS/LEOFF Plans				2,951,492	-	685,393	2,266,099	-
Total Pension Liability-Pre LEOFF 1 Plan Fire				940,339	-	64,148	876,191	106,395
Total Pension Liability-Pre LEOFF 1 Plan Police				2,161,540	-	73,814	2,087,726	188,478
Total OPEB Liability - LEOFF 1 Plan Fire				2,089,874	-	33,275	2,056,599	159,215
Total OPEB Liability - LEOFF 1 Plan Police				3,157,713	-	57,550	3,100,163	245,719
Total OPEB Liability - City Post Emp Healthcare				4,242,741	23,045	-	4,265,786	351,910
Right-to-Use Leases				9,665	22,448	25,003	7,110	4,153
Information Technology Subscriptions Right to Use (SBITA)				-	213,514	-	213,514	101,693
Total Other Governmental Liabilities							20,250,360	4,001,034
Total Governmental Liabilities							56,455,524	6,851,034

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2023 for governmental debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

General Obligation Bonds By Fiscal Year:	Governmental Activities		
	Principal	Interest	Totals
2024	3,050,529	1,442,437	4,492,967
2025	3,205,771	1,316,936	4,522,707
2026	3,296,894	1,169,700	4,466,594
2027	1,320,000	1,023,143	2,343,143
2028	1,370,000	972,231	2,342,231
2029-2033	7,740,000	3,970,913	11,710,913
2034-2038	7,235,000	2,377,101	9,612,101
2039-2043	4,330,000	1,001,875	5,331,875
2044-2045	1,665,000	126,000	1,791,000
Total Debt Service Requirements	33,213,194	13,400,336	46,613,531

Business-Type Activities

Long-term liabilities of the City's business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City's landfill, 5) capital Leases 6) total Other Post-Employment Benefits (OPEB) Liability, 7) Net Pension Liability (NPL) and 8) Local Improvement Districts (LID's) with commitments. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2023.

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

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

Landfill Closure and Post-Closure Care Liability - The City of Richland owns and operates the Horn Rapids Landfill, which includes the 46-acre existing landfill permitted for disposal of MSW, a support facility, a 9-acre composting facility, a customer service transfer station that includes a small household hazardous waste receiving area, and the 104-acre landfill Expansion, which began operation in the fall of 2020. State and

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

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed in 2011. While monitoring and maintenance activities are taking place on the first phase area, true post closure care will not commence until both phases are closed. As of the end of 2021, the second phase landfill cell was completely full. A new cell has been opened and is currently in use. As of December 31, 2023, the City had sufficient funds set aside to pay for the second phase construction costs of \$2,206,709 and provide approximately 30% of the post-closure care. Cash and investments of \$6,688,112 or 57.6% of required reserves, have been accumulated. The post-closure care of the current landfill site is estimated to cost \$7,017,000 in current dollars. The additional portion in reserves necessary to complete the 30 years of post-closure care will be funded through operations.

The City's waste management software tracked 93,257 tons of waste accepted in 2023. The current year expense for the related use of available volume was \$461,107. The estimate of closure cost for 2023 was updated, which resulted in the recognition of an expense credit of \$836,265.

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

Total OPEB Liability – As noted in the governmental activities section, the City reported an overall TOL of \$10,645,049. The TOL related to business type activities was \$1,222,501. The current portion of the TOL for business type activities was \$100,852.

Net Pension Liability – As per GASB 68 the City is required to report a proportionate share of the State's pension liability from the PERS 1, 2 and 3, and from LEOFF 1 and 2 State Pension Plans. PERS plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City's share of the Net Pension Liability for PERS 1 was \$4,195,662, of which \$1,929,563 was allocated to business-type activities based on contributions of each fund. Governmental Funds are only reported on the Government Wide Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements.

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

The following tables provide a comprehensive record of all long-term liabilities for business-type activities as of December 31, 2023:

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SCHEDULE OF LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES										
REVENUE BONDS								Ending Balance	Amounts Due	
	Purpose	Issuance Amount	Maturity Date	Interest Rate	Current Balance January 1, 2023	Additions	Reductions	December 31, 2023	Within One Year	
Electric	2013 B Electric Revenue- Capital Improvement and Refunding	19,455,000	1-Nov-42	2.00%-5.00%	14,165,000	-	14,165,000	-	-	
	2015 Electric Utility Revenue Bonds	19,435,000	1-Nov-45	2.00%-4.75%	17,920,000	-	465,000	17,455,000	475,000	
	2018 Electric Revenue Improvement & Refunding	19,800,000	1-Nov-47	3.00%-5.00%	13,455,000	-	430,000	13,025,000	455,000	
	2019A Electric Revenue Improvement & Refunding	12,525,000	1-Nov-44	4.00%-5.00%	11,705,000	-	275,000	11,430,000	290,000	
	2019T Electric Revenue & Refunding	3,145,000	1-Nov-33	2.23%-3.21%	3,145,000	-	260,000	2,885,000	265,000	
	2021 Electric Revenue Improvement Bond	6,415,000	1-Nov-46	3.00%-4.00%	6,415,000	-	175,000	6,240,000	180,000	
	2023 Electric Revenue Improvement Bond	19,415,000	1-Nov-53	3.00%-4.00%	-	19,415,000	-	19,415,000	770,000	
Water	2012 Water Wastewater Improvement & Refunding	7,540,000	1-Nov-34	2.00%-4.00%	4,825,000	-	360,000	4,465,000	365,000	
	2017 Wasteworks Utility Revenue & Refunding Bonds	12,455,000	1-Nov-42	2.00%-5.00%	11,845,000	-	280,000	11,565,000	510,000	
	TOTAL REVENUE BONDED DEBT							86,480,000	3,310,000	
	GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES									
	2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	4,460,000	1-Dec-39	2.00%- 4.30%	3,200,000	-	130,000	3,070,000	135,000	
	2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1,200,000	1-Dec-37	1.125%-4.00%	1,200,000	-	-	1,200,000	-	
	2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1,165,000	1-Dec-27	0.38%-3.50%	420,000	-	85,000	335,000	85,000	
	TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES							4,605,000	220,000	
	OTHER BUSINESS-TYPE LIABILITIES									
		Purpose	Issuance Amount	Maturity Date	Interest Rate	Current Balance January 1, 2023	Additions	Reductions	Ending Balance December 31, 2023	Amounts Due Within One Year
	PWTF #PW-03-691-020 Water Main Replacement	8,755,000	1-Jul-23	0.50%	506,662	-	506,662	-	-	
	DWSRF Loan #02-65102-039 Rchld Wellfield Disinfection	1,984,802	1-Oct-23	1.00%	116,131	-	116,131	-	-	
	DWSRF Loan #02-65102-040 Rchld Wellfield Capacity	978,117	1-Oct-23	1.00%	57,537	-	57,537	-	-	
	DWSRF Loan #03-65103-045 Badger Mountain Pump Station	580,000	1-Oct-24	1.50%	72,500	-	36,250	36,250	36,250	
	DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	3,030,000	1-Oct-29	1.50%	1,123,610	-	160,516	963,094	160,516	
	DWSR Loan #DWL23484	60,993	1-Oct-42	1.00%	737,134	-	36,857	700,277	36,857	
	Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	145,776	1-Mar-24	4.30%	16,245	-	10,714	5,531	5,531	
	Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	1,538,338	27-May-31	2.90%	768,396	-	80,893	687,503	83,271	
	PC20-96103-049 Solid Waste Public Works Loan	34,560	1-Jun-39	1.58%	3,578,948	-	210,526	3,368,422	210,526	
	Liability for Landfill Closure	N/A			8,281,686	-	375,158	7,906,529	-	
	Compensated Absences	N/A			2,500,077	1,476,307	1,680,067	2,296,317	1,148,159	
	Net Pension Liability- State PERS/LEOFF Plans	N/A			2,565,704	-	636,141	1,929,563	-	
	Total OPEB Liability - City Post Emp Healthcare	N/A			1,284,569	-	62,068	1,222,501	100,852	
	Right-to-use Agreements	Landfill Compactor Lease (Q000106371-7)	312,046	17-May-23	4.95%	326,109	-	66,109	260,000	260,000
		Landfill Dozer Lease	229,405	20-Apr-26	3.85%	132,831	-	31,350	101,481	32,557
		Landfill Articulated Truck Lease	137,038	20-Apr-25	3.85%	69,043	-	22,151	46,892	23,004
		TOTAL OTHER BUSINESS-TYPE LIABILITIES							19,524,360	2,097,523
TOTAL BUSINESS-TYPE LIABILITIES							110,609,360	5,627,523		

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In the Statement of Net Position for Business-Type Activities - Enterprise Funds, the long-term portion of the bonds payable are reported net of unamortized discounts and premiums. Bond issuance costs are reported as expense in the year paid. For the year ended December 31, 2023, the amount reported in the Statement of Net Position as bonds payable is as follows:

Bonded Debt	ELECTRIC	WATER	SEWER	STORM-WATER	*GOLF COURSE	*BROADBAND	TOTAL
Current Portion	\$ 2,435,000	\$ 524,888	\$ 320,113	\$ 30,000	\$ 135,000	\$ 85,000	\$ 3,530,001
Long-Term Portion	70,450,000	9,309,269	5,240,731	605,000	2,935,000	1,450,000	89,990,000
Net unamortized premiums and discounts	8,549,059	994,036	638,244	79,210	42,035	(20,742)	10,281,842
Net Long-Term Portion	78,999,059	10,303,305	5,878,975	684,210	2,977,035	1,429,258	100,271,842
Total Reported Liability	\$ 81,434,059	\$ 10,828,193	\$ 6,199,088	\$ 714,210	\$ 3,112,035	\$ 1,514,258	\$ 103,801,843

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

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2023 for business-type debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

Business-Type Bonds	Business-Type Activities		
	Principal	Interest	Totals
By Fiscal Year:			
2024	4,113,227	4,136,406	8,249,632
2025	4,206,033	3,985,811	8,191,844
2026	4,355,965	3,821,435	8,177,400
2027	4,473,444	3,641,037	8,114,481
2028	4,636,114	3,460,338	8,096,452
2029-2033	25,001,956	14,402,423	39,404,380
2034-2038	24,240,493	9,057,800	33,298,293
2039-2043	16,676,816	4,311,841	20,988,657
2044-2048	7,060,000	1,199,213	8,259,213
2049-2053	2,130,000	330,000	2,460,000
Total Debt Service Requirements	96,894,047	48,346,304	145,240,351

The following table presents debt coverage ratios for parity debt in the Water, Sewer, and Stormwater funds. As of December 31, 2023, bonds on parity with 2017 Waterworks Utility and Revenue Bonds include 2012 Water Wastewater Improvement & Refunding Bonds and 2014 Waterworks Revenue & Refunding Bonds.

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	Table for Waterworks (Water, Sewer, Stormwater) Parity Debt										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross Revenue	28,933,599	29,306,771	30,565,077	30,744,572	30,133,044	29,452,312	28,016,663	27,676,910	26,871,768	26,116,348	25,341,395
Less Operating Expenses	18,786,773	17,884,985	16,276,780	14,297,040	13,442,659	13,746,283	13,344,677	15,268,317	13,517,407	13,224,346	13,159,683
Net Amount Available For Debt Service	10,146,825	11,421,787	14,288,297	16,447,532	16,690,385	15,706,029	14,671,986	12,408,593	13,354,361	12,892,002	12,181,712
Total Annual Debt Service	2,337,325	3,084,275	4,549,675	4,553,150	4,645,100	4,664,300	4,320,347	4,185,638	4,188,047	3,332,256	4,439,800
Water/Sewer Debt Coverage	4.34	3.70	3.14	3.61	3.59	3.37	3.40	2.96	3.19	3.87	2.74

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

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

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

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

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS 1 employees and 800 hours for PERS 2 and 3 employees, is payable upon resignation, retirement or death. On December 31, 2023, the City's accrued vacation, PTO and sick leave amounted to \$7,428,042. This amount includes \$499,750 in internal service funds that are allocated within the business-type activities.

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

NOTE 5. FINANCIAL GUARANTEES AND PLEDGED REVENUES

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the PFD's outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a "Contingent Loan Agreement", dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD's pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2023, the outstanding principal of the PFD's 2015 General Obligation refunding bonds is \$2,525,000.

In addition to the Contingent Loan Agreement, the City pledged \$125,000 annually from its lodging tax revenues in support of debt service on the aforementioned PFD bonds. This amount is transferred annually until the bonds are retired in 2028. In 2023, the \$125,000 lodging tax pledged toward the bonds, as a percentage of total lodging tax revenues and as a percentage of the PFD's annual debt service, was 7.7% and 24.3%, respectively.

NOTE 6. LEASES

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

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

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

The lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying

asset. If the City of Richland is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

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

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

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

The following is a summary of governmental right-to-use lease asset activity for the year ended December 31, 2023.

Governmental Activities	Balance December 31, 2022	Additions	Deletions/ Adjustments	Balance December 31, 2023
Office Equipment	\$ 9,665	\$ 20,764	\$ -	\$ 30,429
Accumulated Amortization	9,665	-	(20,047)	(10,382)
Net equipment and other lease Assets	<u>19,330</u>			<u>20,047</u>
Total Governmental Activities Lease Assets, Net	<u>\$ 19,330</u>			<u>\$ 20,047</u>

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The following is a summary of business-type right-to-use lease asset activity for the year ending on December 31, 2023.

Business-Type Activities	Balance December 31, 2022	Additions	Deletions/ Adjustments	Balance December 31, 2023
Vehicle lease Assets	\$ 527,984	\$ -	\$ -	\$ 527,984
Accumulated Amortization		-	(119,610)	(119,610)
Net equipment and other lease Assets	<u>527,984</u>			<u>408,374</u>
Total Business-Type Activities Lease Assets, Net	<u>\$ 527,984</u>			<u>\$ 408,374</u>

The following schedule presents future annual lease payments for governmental and business-type activities as of December 31, 2023.

	Government-Type Activities		Business-Type Activities		Totals	
Right-to-Use Lease Agreements	Principal	Interest	Principal	Interest	Principal	Interest
By fiscal Year:						
2024	\$ 4,278	\$ 42	\$ 55,561	\$ 19,572	\$ 59,839	\$ 19,615
2025			57,700	17,433	57,700	17,433
2026			35,113	6,742	35,113	6,742
Total	<u>\$ 4,278</u>	<u>\$ 42</u>	<u>\$ 148,373</u>	<u>\$ 43,747</u>	<u>\$ 152,652</u>	<u>\$ 43,790</u>

Variable lease payments, other than those that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. During the fiscal year ending December 31, 2023, the City of Richland, recognized \$97,437 for variable and other lease payments not included in the measurement of the lease liability.

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

For leases that meet the capitalization threshold at lease commencement, the city recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position in the Government-Wide and Proprietary and Trust fund financial statements and on the Governmental Funds Balance Sheet.

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

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

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

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

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

During the fiscal year ending December 31, 2023, the amount of recognized lease revenue and lease interest was \$1.5 million and \$414,743, respectively.

Variable lease receipts, other than those that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease receivable. During the fiscal year ending December 31, 2023, the City of Richland, recognized revenue of \$223,453 for variable lease payments not included in the measurement of the lease receivable. The City of Richland does not use leases to fund its principal ongoing operations.

NOTE 7. INTERFUND TRANSFERS

The following table provides a summary of interfund transfers for the year ended December 31, 2023.

Transferred From...	Transferred To...						
	General Fund	Streets Construction Fund	Other Governmental Funds	Major Enterprise Funds	Other Enterprise Funds	Internal Service Funds	Total
General Fund		\$ 1,536,090	\$ 4,483,420		\$ 605,000	\$ 670,456	\$ 7,294,966
Major Governmental Funds		-	742,126	-	3,399		745,525
Other Governmental Funds	1,072,835	4,743,312	3,969,540	3,945			9,789,632
Major Enterprise Funds		43,000			55,000	117,263	215,263
Other Enterprise Funds			12,301			4,816	17,117
Internal Service Funds						47,500	47,500
Total	\$ 1,072,835	\$ 6,322,402	\$ 9,207,387	\$ 3,945	\$ 663,399	\$ 840,035	\$ 18,110,003

In 2023, the City's enterprise operations paid a total of \$11,052,791 in Occupation Taxes to the City's General and Streets Funds. In accordance with GASB Statement No. 34, the expense is reflected as an operating expense in the Fund financial statements, while payments of this nature are to be reported on the City's Government-Wide Statement of Activities as transfers. Therefore, the amount of transfers reported on the General and Street Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are different by this amount.

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For the Year Ended December 31, 2023

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

Purpose: Sharing of resources between funds.							
Transferred From...		Transferred To...					
		General Fund	Other Governmental Funds		Other Enterprise Funds		Total
			Streets	Home	Medical Services	Stormwater	
General Fund			\$ 1,143,657		\$ 550,000		\$ 1,693,657
Streets Construction Fund						3,399	3,399
Other Governmental Funds	Industrial Development			107,699			107,699
	District		102,377				102,377
	Criminal Justice	79,019					79,019
	Hotel/Motel Tax	190,803					190,803
Total		\$ 269,822	\$ 1,246,034	\$ 107,699	\$ 550,000	\$ 3,399	\$ 2,176,954

Purpose: Debt service and/or contributions toward capital and other improvements												
Transferred From...	Transferred To...											
	Major Governmental Funds		Other Governmental Funds						Major Enterprise Funds	Other Enterprise Funds	Internal Service Funds	Total
	General Fund	Street Construction	Industrial Development	General Govt Construction	LTGO Bonds Debt Service	Park Project Construction	Fire Station 74 Debt Service	Fire Station 76 Construction	WasteWater	Broadband	Equipment Replacement	
General Fund		\$ 1,536,090		\$ 727,500	\$ 649,557	\$ 551,250	\$ 669,456	\$ 742,000		\$ 55,000	\$ 670,456	\$ 5,601,309
Street Construction			742,126									742,126
Other Governmental Funds	Industrial Development	1,249,612							3,945			1,253,557
	District	965,000										965,000
	Park Reserve				36,323	690,000						726,323
	Hotel/Motel Tax					505,000						505,000
	CDBG	4,000				3,500						7,500
	Capital Improvement (REET)	750,000	2,524,700	33,754	25,000	579,910	1,295,000					5,208,364
	Fire Station 73 Construction	53,013										53,013
	Fire Station 75 Construction						590,976					590,976
Electric Fund										30,000		30,000
Water Fund		43,000								20,000		63,000
WasteWater Fund										5,000	117,263	122,263
Other Enterprise Funds	Ambulance										4,816	4,816
	Broadband				12,301							12,301
Internal Service Funds	Public Works Admin & Engineering										47,500	47,500
Total	\$ 803,013	\$ 6,322,402	\$ 775,880	\$ 752,500	\$ 1,278,091	\$ 3,044,750	\$ 1,260,432	\$ 742,000	\$ 3,945	\$ 110,000	\$ 840,035	\$ 15,933,049

NOTE 8. RISK MANAGEMENT

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

Washington Cities Insurance Authority (WCIA)

The City of Richland is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly

purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members.

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City of Richland paid \$2,508,580 in premiums for coverage in 2023.

Employee Benefits, Workers' Compensation, and Unemployment

Medical, Dental and Vision Insurance Benefits - The City offers comprehensive medical coverage on a self-insured basis. Reinsurance for medical benefits is provided by QBE Insurance Corporation. Dental benefits are

entirely self-insured. Vision coverage is a fully funded program. Both the City and the employee share in the premium cost of medical and dental benefits. Medical and dental benefits are administered by Cigna Health and Life Insurance Company. Stop Loss coverage is provided by QBE Insurance Corporation. The Stop Loss premium was \$794,831 in 2023, of which \$47,973 was allocated to retiree coverage in the Post-employment Healthcare Plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in an internal service fund, the Employee Benefits Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The estimation of liabilities for unpaid claims and administrative expense is based on an annual actuarial reserve study plus an additional contingency fund recommended by WAC 200-040. The reserve for estimated claims outstanding at year end was increased by \$219,200 in 2023.

As of December 31, 2023, the estimated claims reserve has \$2,392,900 set aside for estimated claims liabilities. Settlements have not exceeded available resources for these benefits in the previous three years.

The following is a reconciliation of changes in the aggregate liabilities for healthcare claims for the fiscal years 2021 through 2023:

EMPLOYEE HEALTHCARE BENEFITS					
Year	Claims Liability January 1	Annual Claims Paid	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Incurred	Incurred But Not Reported Claims Estimate at Year End
2023	\$ 2,173,700	\$ 8,091,858	\$ 219,200	\$ 8,311,058	\$ 2,392,900
2022	2,474,400	7,433,242	(300,700)	7,132,542	2,173,700
2021	2,611,200	8,484,126	(136,800)	8,347,326	2,474,400

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

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

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

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$392,047 and \$15,155, respectively set aside in reserves for potential incurred but not reported claims.

The following tables reflect a reconciliation of changes in the aggregate liabilities for claims for the fiscal years 2021 through 2023:

WORKERS COMPENSATION CLAIMS					
Year	Claims Liability January 1	Annual Claims Paid	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Incurred	Incurred But Not Reported Claims Estimate at Year End
2023	\$ 183,386	\$ 1,149,178	\$ 208,661	\$ 1,357,840	\$ 392,047
2022	133,056	918,887	50,330	918,887	183,386
2021	52,100	670,247	80,956	670,247	133,056

UNEMPLOYMENT CLAIMS					
Year	Claims Liability January 1	Annual Claims Paid	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Incurred	Incurred But Not Reported Claims Estimate at Year End
2023	\$ 20,929	\$ 49,616	\$ (5,774)	\$ 43,843	\$ 15,155
2022	40,078	63,742	(19,149)	63,742	20,929
2021	12,969	55,474	27,109	55,474	40,078

NOTE 9. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2023:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ (10,645,049)
Deferred Outflows of Resources	408,407
Deferred Inflows of Resources	(2,588,835)
OPEB Expenses/Expenditures	21,829

Post-Employment Healthcare Plan- Citywide

Plan Description

The City of Richland administers a single-employer defined benefit post-employment healthcare plan (“the Plan”). The Plan provides healthcare insurance for eligible retirees, their spouses, and eligible children through the City’s health insurance plan, which covers retired members. The Plan provides healthcare benefits and prescription coverage. The Plan does not cover dental or vision benefits, although retirees may purchase these benefits through COBRA. The City implemented the Plan on January 1, 2003, in accordance with recommendations from the Benefits and Services Focus Group appointed by the City. The City offered all bargaining units an irrevocable and one time opportunity to participate in the Post-Employment Health Insurance Program. In lieu of participation in this benefit program, the International Association of Fire Fighters (IAFF) Local 1052 and Southeast Washington Tele Communicators Guild (SEWTG) elected to take additional wages. All remaining bargaining units and unaffiliated employees opted to participate in the Plan. Effective December 31, 2012, the City closed the Plan to new participants. The Plan does not issue a stand-alone financial report, and the activity of the Plan is included in the City’s financial statements available on the City’s website at <https://www.ci.richland.wa.us/departments/finance/financial-reports>.

Benefits Provided

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

Employees Covered by Benefit Terms

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

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

Changes to the Plan

The OPEB plan was closed to new participants on December 31, 2012. In an effort to reduce the size and scope of the plan, the City offered active participants an opportunity to opt out of the existing plan and receive a contribution to a Retiree Health Savings (RHS) account equal to 1% of annual salary for each year in the plan since 2003. The City will continue to fund the RHS accounts with a 1% salary contribution annually and the employee is required to contribute ½% of annual salary to the plan. Effective January 1, 2013, all eligible new employees participate in the RHS plan, funded by a 1% salary contribution from both the City and the employee. Employees that remain in the OPEB plan are required to contribute 1% of their salary to a Retirement Health Savings plan. The efforts to reduce plan participants have been effective, and by 2017 the number of active participants has been reduced by fifty eight percent. The following table reflects the change in active plan participants, retirees and beneficiaries, and the amount of opt-out payments made from reserves in the plan.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Active participants	293	219	146	131	123	114	105	88	77	60	53
Retirees & beneficiaries	91	84	82	86	78	57	62	53	57	36	56
Opt-out payments	\$285,469	\$307,660	\$274,338	\$228,621	-	-	-	-	-	-	-

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

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

Contributions

The Post-Employment Health Insurance Program is funded on a pay-as-you-go basis. The City pays benefits as they come due. There are no assets accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. Contributions for the reporting period were \$574,543 (including implicit subsidy credit).

Total OPEB Liability

The City's total OPEB liability was valued as of December 31, 2022, and was used to calculate the total OPEB liability measured as of December 31, 2023. The following is a summary of changes in the Total OPEB liability for fiscal year 2023:

Changes in the Total OPEB Liability	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2022	\$5,527,310
Changes for the year:	
Service Cost	148,650
Interest	218,241
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	89,141
Changes of Assumptions	79,488
Benefit Payments	(352,333)
Implicit Rate Subsidy Fulfilled	(222,210)
Other Changes	-
Net Changes	(39,023)
Balance as of Report Date December 31, 2023	\$5,488,287

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Discount Rate	4.05%	3.77%
Inflation	5.00%	2.75%
Healthcare Cost Trend Rates		
<i>Pre-Medicare</i>	7.40%	6.80% *
<i>Medicare</i>	n/a	n/a
Salary Increases	3.50%	3.50% **
Mortality Rates	Based on SOA tables	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 50% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

**Trending down to 4.15% over 53 years. Applies to calendar years.*

***Additional merit-based increases based on the State of Washington merit salary increase tables.*

Discount Rate

The discount rate used to measure the total OPEB liability is 3.77%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents City's total OPEB liability calculated using the current discount rate (3.77%) as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.77%) or one percentage point higher (4.77%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	2.77%	3.77%	4.77%
Total OPEB Liability (Asset)	\$5,778,624	\$5,488,287	\$5,208,342
Increase (Decrease)	290,337		(279,945)
% Change	5.3%		-5.1%

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

The healthcare cost trend for this valuation started at 6.80% and decreased to 4.15% over 53 years. The following table presents City's total OPEB liability calculated using the current healthcare cost trend rate (6.80%) as well as what the City's total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (5.80%) or one percentage point higher (7.80%) than current trend rate.

	1% Decrease	Trend Rate	1% Increase
	5.80%	6.80%	7.80%
Total OPEB Liability (Asset)	\$5,053,883	\$5,488,287	\$5,974,992
Increase (Decrease)	(434,404)		486,705
% Change	-7.9%		8.9%

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

For the report year ended December 31, 2023, the City recognized an OPEB expense of (\$101,476). The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Actual and Expected Experience	\$121,641	\$(1,943,715)
Changes of Assumptions	286,766	(645,120)
Total	\$408,407	\$(2,588,835)

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

<u>Report Year Ending December 31:</u>	<u>Amount</u>
2024	\$ (513,105)
2025	(608,136)
2026	(532,837)
2027	(503,871)
2028	(25,238)
Remaining	2,759

Current Liability

	<u>Amount</u>
Current OPEB Liability	\$ 452,762
Non-Current OPEB Liability	5,035,525
Total OPEB Liability	\$ 5,488,287

Expected Average Service Lives (EARSL)

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

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

Plan Description

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

Benefits Provided

As mandated by RCW 41.26, RCW 41.18 and RCW 41.20, the City reimburses 100% of allowable healthcare costs for LEOFF 1 retirees. All firefighters and law enforcement officers employed between 3/1/70 and 10/31/77 are members of a single employer defined benefit OPEB plan and are provided lifetime insurance coverage for medical, hospital and nursing home care costs. These benefits are accounted for in Police and Fire Pension and Relief Funds and are considered, in substance, a postemployment healthcare plan administered by, but not part of, the Police and Fire Pension Plans. Extraordinary health and dental expenses, as determined by the Pension Board, require prior approval. Insurance policies for this benefit are underwritten as part of the City's overall insurance program. The LEOFF 1 OPEB plans are closed to new entrants.

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

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

Employees Covered by Benefit Terms

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

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

Contributions

The City contributes an amount to the fund equal to the benefits paid. Contributions for the reporting period were \$88,263 for LEOFF 1 Fire and \$125,867 for LEOFF 1 Police.

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

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

Total OPEB Liability

The City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police was valued as of December 31, 2022, and was used to calculate the total OPEB liability measured as of December 31, 2023.

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Discount Rate	4.05%	3.77%
Inflation	5.00%	2.75%
Healthcare Cost Trend Rates		
<i>Pre-Medicare</i>	n/a	n/a
<i>Medicare</i>	4.20%	4.17% *
Salary Increases	n/a	n/a
Mortality Rates	Based on SOA tables	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 0% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

**Trending down to 4.15% over 53 years. Applies to calendar years.*

Discount Rate

The discount rate used to measure the total OPEB liability was 3.77%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Funding Policy

The City does not require retiree contributions. Fire and Police pension funds are reported within the General Fund in the City's financial statements. These funds provide for both OPEB and pension benefits to LEOFF 1 employees.

Contributions for the Fire plan are derived from an annual property tax levy of up to \$0.2250 per \$1,000 of assessed property value. In addition, on an annual basis the State contributes 25% of taxes on fire insurance premiums per RCW 41.16.050. For the year ended December 31, 2023 the State contributed \$100,471. Contributions for the Police plan are derived from contributions by the City's General Fund. The City contributes the cost of medical claims paid on behalf of members of both plans through the Employee Benefit Fund. Contributions are recognized when they are earned and become measurable.

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

The following tables show the changes in total OPEB liability during fiscal year 2023:

Changes in the Total OPEB Liability (LEOFF 1 Fire)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2022	\$2,089,874
Changes for the year:	
Service Cost	-
Interest	82,853
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(76,898)
Changes of Assumptions	49,033
Benefit Payments	(88,263)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(33,275)
Balance as of Report Date December 31, 2023	\$2,056,599

Changes in the Total OPEB Liability (LEOFF 1 Police)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2022	\$3,157,713
Changes for the year:	
Service Cost	-
Interest	125,338
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(126,327)
Changes of Assumptions	69,306
Benefit Payments	(125,867)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(57,550)
Balance as of Report Date December 31, 2023	\$3,100,163

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police plans calculated using the current discount rate (3.77%) as well as what the City's total OPEB liability for the plans would be if it were calculated using a discount rate that is one percentage point lower (2.77%) or one percentage point higher (4.77%) than the current rate.

LEOFF 1 Fire	1% Decrease	Discount Rate	1% Increase
	2.77%	3.77%	4.77%
Total OPEB Liability (Asset)	\$2,249,442	\$2,056,599	\$1,890,255
Increase (Decrease)	192,843		(166,344)
% Change	9.4%		-8.1%
 LEOFF 1 Police	 1% Decrease	 Discount Rate	 1% Increase
	2.77%	3.77%	4.77%
Total OPEB Liability (Asset)	\$3,370,794	\$3,100,163	\$2,864,189
Increase (Decrease)	270,631		(235,974)
% Change	8.7%		-7.6%

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

The healthcare cost trend for this valuation started at 4.17% and decreased to 4.15% over 53 years. The following table presents City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police plans calculated using the current healthcare cost trend rate (4.17%) as well as what the City's total OPEB liability for the plans would be if it were calculated using healthcare trend rates that are one percentage point lower (3.17%) or one percentage point higher (5.17%) than current trend rate.

LEOFF 1 Fire	1% Decrease	Trend Rate	1% Increase
	3.17%	4.17%	5.17%
Total OPEB Liability (Asset)	\$1,880,483	\$2,056,599	\$2,257,134
Increase (Decrease)	(176,116)		200,535
% Change	-8.6%		9.8%
 LEOFF 1 Police	 1% Decrease	 Trend Rate	 1% Increase
	3.17%	4.17%	5.17%
Total OPEB Liability (Asset)	\$2,849,431	\$3,100,163	\$3,382,656
Increase (Decrease)	(250,732)		282,493
% Change	-8.1%		9.1%

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

For the report year ended December 31, 2023, the LEOFF 1 Fire and LEOFF 1 Police recognized OPEB expense of \$54,988 and \$68,317 respectively. On December 31, 2023, the LEOFF 1 Fire and LEOFF 1 Police reported \$0 deferred outflows of resources related to OPEB and \$0 deferred inflows of resources related to OPEB.

Current Liability

	LEOFF 1 Fire	LEOFF 1 Police
Current OPEB Liability	\$159,215	\$245,719
Non-Current OPEB Liability	1,897,384	2,854,444
Total OPEB Liability	\$2,056,599	\$3,100,163

Expected Average Service Lives (EARSL)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 0.0 years. The LEOFF 1 OPEB plans have no active employees, so the EARSL is zero. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

NOTE 10. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68, for the year 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$(7,159,578)
Pension assets	\$23,542,892
Deferred outflows of resources	\$16,578,239
Deferred inflows of resources	\$(9,921,746)
Pension expense/expenditures	\$(1,889,084)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial

statements and required supplementary information for each plan.

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

Public Employees' Retirement System (PERS)

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

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

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Contributions – PERS 1

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.20 percent (increased from 0.18 percent effective September 1, 2023). 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 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January - June 2023:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July - August 2023:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September - December 2023:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	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 times the member's years of service 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, however, if you have 30 or more years of service and you are age 62, you can also retire with a full benefit. 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 and can withdraw their investment contributions at any point after separation from the employment.

If PERS Plan 3 members have at least 20 years of service credit when they leave employment and do not start to receive their pension, it will increase by approximately 3% for each year of receiving delay up to age 65 (this is called indexing and is exclusively available to Plan 3).

Contributions – PERS 2/3

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.20 percent (increased from 0.18 percent effective September 1, 2023). 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 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
January - June 2023:		
PERS Plan 2/3	6.36%	6.36% for PERS 2 varies for PERS 3
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	
July - August 2023:		
PERS Plan 2/3	6.36%	6.36% for PERS 2 varies for PERS 3
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	
September - December 2023:		
PERS Plan 2/3	6.36%	6.36% for PERS 2 varies for PERS 3
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	

The City's actual PERS plan contributions were \$1,167,844 to PERS Plan 1 and \$2,173,827 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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

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

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

Contributions – LEOFF 1

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20 percent of covered payroll (increased from 0.18 percent effective September 1, 2023).

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

Contributions – LEOFF 2

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.20 percent (increased from 0.18 percent effective September 1, 2023). Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and State contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January - August 2023:		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
September - December 2023:		
State and local governments	5.12%	8.53%
Administrative Fee	0.20%	
Total	5.32%	8.53%

The City's actual contributions to the plan were \$1,013,616 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the State constitution and could be changed by statute. For the State fiscal year ending June 30, 2023, the State contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount was \$609,093.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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 his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2022 actuarial valuation report. However, OSA adjusted LEOFF Plan 1/2 assets and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

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

Long-Term Expected Rate of Return

OSA selected a 7.00% long-term expected rate of return on pension plan investments. 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 CMAs and their target asset allocation to simulate future investment returns over various time horizons.

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, 2023. 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
Fixed Income	20.00%	1.5%
Tangible Assets	7.00%	4.7%
Real Estate	18.00%	5.4%
Global Equity	32.00%	5.9%
Private Equity	23.00%	8.9%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The following table presents the City's proportionate share of the net pension liability calculated using the current discount rate of (7.0%), as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

Plan	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$5,861,656	\$4,195,661	\$2,741,640
PERS 2/3	10,564,740	(9,713,633)	(26,373,598)
LEOFF 1	(3,275,071)	(3,693,528)	(4,056,394)
LEOFF 2	1,678,203	(10,135,732)	(19,804,423)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the City reported net pension liability of \$4,195,661 and net pension asset of (\$23,542,892) for its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability (Asset)
PERS 1	\$4,195,661
PERS 2/3	(9,713,633)
LEOFF 1	(3,693,528)
LEOFF 2	(10,135,732)

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

Proportionate Share	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$(3,693,528)	\$(10,135,732)
State's proportionate share of the net pension asset associated with the employer	(24,982,930)	(6,472,574)
Total	(28,676,458)	(16,608,306)

At June 30, 2023, the City's proportionate share of the collective net pension liabilities was as follows:

Plans	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.198149%	0.183800%	-0.014349%
PERS 2/3	0.258001%	0.236994%	-0.021007%
LEOFF 1	0.126497%	0.124444%	-0.002053%
LEOFF 2	0.444254%	0.422569%	-0.021685%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF Plan 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data. In fiscal year 2023, the State of Washington contributed 38.97 percent of LEOFF Plan 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61.03 percent of employer contributions.

Pension Expense

For the year ended December 31, 2023, the City recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$(510,134)
PERS 2/3	(1,215,681)
LEOFF 1	(272,998)
LEOFF 2	(61,027)
Total	(2,059,840)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS PLAN 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(473,289)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	518,034	-
TOTAL	518,034	(473,289)

PERS PLAN 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,978,656	\$(108,531)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,660,684)
Changes of assumptions	4,078,119	(888,869)
Changes in proportion and differences between contributions and proportionate share of contributions	628,701	(465,786)
Contributions subsequent to the measurement date	1,100,375	-
TOTAL	7,785,851	(5,123,870)

LEOFF PLAN 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(244,915)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(244,915)

LEOFF PLAN 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,140,159	\$(83,389)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,144,699)
Changes of assumptions	2,589,135	(832,570)
Changes in proportion and differences between contributions and proportionate share of contributions	1,012,853	(1,019,013)
Contributions subsequent to the measurement date	532,206	-
TOTAL	8,274,353	(4,079,671)

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$6,118,815	\$(191,920)
Net difference between projected and actual investment earnings on pension plan investments	-	(6,523,587)
Changes of assumptions	6,667,254	(1,721,439)
Changes in proportion and differences between contributions and proportionate share of contributions	1,641,554	(1,484,799)
Contributions subsequent to the measurement date	2,150,615	-
TOTAL	16,578,238	(9,921,745)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2024	(322,006)	\$(1,750,159)	\$(167,922)	\$(831,389)
2025	(404,960)	(2,114,616)	(210,720)	(1,177,730)
2026	249,692	3,016,282	130,717	1,874,152
2027	3,985	1,127,014	3,010	685,259
2028	-	1,148,402	-	737,835
Thereafter	-	134,682	-	2,374,349
Total	(473,289)	1,561,605	(244,915)	3,662,476

Firefighter's Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees covered by benefit terms

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

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

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore, there is no set contribution rate. The City does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$108,913.

Financial Report

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

Total Pension Liability

The City's total pension liability was valued as of December 31, 2022, and was used to calculate the total pension liability measured as of December 31, 2023.

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2022</u>	<u>December 31, 2023</u>	
Discount Rate	4.05%	3.77%	
Inflation	5.00%	2.75%	
Salary Increases	3.50%	3.50%	Used to project total benefit increases
Mortality Rates	Based on SOA tables		

- Experience studies come from the State of Washington 2018 study.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

The discount rate used to measure the total pension liability is 3.77%. The City's pension plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. This plan has no active employees, so the expected average remaining service lives (EARSL) for the current period is 0.0 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

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

The following table shows the changes in total pension liability for the Firefighter's Pension Plan during fiscal year 2023:

Changes in the Total Pension Liability (Firefighter's Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2022	\$940,339
Changes for the year:	
Service Cost	-
Interest	35,879
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(4,000)
Changes of Assumptions	12,886
Benefit Payments	(108,913)
Other Miscellaneous Income/(Expense)	-
Net Changes	(64,148)
Balance as of Report Date December 31, 2023	\$876,191

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

The following table presents City's total pension liability (TPL) for the Firefighter's Pension Plan calculated using the current discount rate (3.77%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (2.77%) or one percentage point higher (4.77%) than the current rate.

	1% Decrease 2.77%	Current Rate 3.77%	1% Increase 4.77%
Total Pension Liability (Asset)	\$925,557	\$876,191	\$831,881
Increase (Decrease)	49,366		(44,310)
% Change	5.6%		-5.1%

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

For the year ended December 31, 2023, the City recognized a pension expense related to firefighter's pension of \$44,765, deferred outflows of resources related to firefighter's pension of \$0, and deferred inflows of resources related to firefighter's pension of \$0.

Current Liability for Firefighter's Pension Plan

	Amount
Current Pension Liability	\$106,395
Non-Current Pension Liability	769,796
Total Pension Liability	\$876,191

Police Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees covered by benefit terms

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

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

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore, there is no set contribution rate. The City does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$199,805.

Financial Report

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

Total Pension Liability

The City's total pension liability was valued as of December 31, 2022, and was used to calculate the total pension liability measured as of December 31, 2023.

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2022</u>	<u>December 31, 2023</u>	
Discount Rate	4.05%	3.77%	
Inflation	5.00%	2.75%	
Salary Increases	3.50%	3.50%	Used to project total benefit increases
Mortality Rates	Based on SOA tables		

- Experience studies come from the State of Washington 2018 study.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

The discount rate used to measure the total pension liability is 3.77%. The City's pension plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected

remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. This plan has no active employees, so the expected average remaining service lives (EARSL) for the current period is 0.0 years. However, for calculation purposes, 1.0 was used when calculating amortizations if the EARSL is less than 1 year.

Changes in the Total Pension Liability (Police Pension Plan)

The following table shows the changes in total pension liability for the Police Pension Plan during fiscal year 2023:

Changes in the Total Pension Liability (Firefighter's Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2022	\$2,161,540
Changes for the year:	
Service Cost	-
Interest	83,496
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	2,974
Changes of Assumptions	39,521
Benefit Payments	(199,805)
Other Miscellaneous Income/(Expense)	-
Net Changes	(73,814)
Balance as of Report Date December 31, 2023	\$2,087,726

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

The following table presents City's total pension liability (TPL) for the Police Pension Plan calculated using the current discount rate (3.77%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (2.77%) or one percentage point higher (4.77%) than the current rate.

	1% Decrease 2.77%	Current Rate 3.77%	1% Increase 4.77%
Total Pension Liability (Asset)	\$2,240,936	\$2,087,726	\$1,952,673
Increase (Decrease)	153,210		(135,053)
% Change	7.3%		-6.5%

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

For the year ended December 31, 2023, the City recognized pension expense related to police pension of \$152,991, deferred outflows of resources related to police pension of \$0, and deferred inflows of resources related to police pension of \$0.

Current Liability for Police Pension Plan

	<u>Amount</u>
Current Pension Liability	\$188,478
Non-Current Pension Liability	<u>1,899,248</u>
Total Pension Liability	<u><u>\$2,087,726</u></u>

NOTE 11. WHOLESALE POWER SUPPLY CONTRACTS

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

Prior to October 2011, BPA met preference customers load growth automatically by acquiring necessary power resources. With cost and risk mitigation in mind, BPA engaged its customers and stakeholders in a regional dialogue process, which significantly shifted responsibility for securing power to meet post-FY2011 incremental loads. New long-term power supply agreements, for the FY2012-2028 period, provided preference customers with a historical load-based share of FCRPS output (tier 1) and related costs recovered via a new tiered rate methodology (TRM). Arranging power supply to serve load growth (tier 2) exceeding historical FY2010 levels became each utility's responsibility with the option to contract with BPA or non-Federal suppliers. Richland signed a 20-year BPA Regional Dialogue Contract as a load following customer in December 2008 for the FY2012-2028 period. This contract obligates BPA to meet the City's net wholesale requirements exceeding the utility's tier 2 resources delivered on a flat block basis. Since tier 2 resources reflect market-based pricing, the TRM has some potential market-based energy and capacity rate exposure. New Large Single Loads (NLSL) above ten average MW are not part of BPA tier 2 obligations and are to be served with non-federal or market-based resources. The City does not have any NLSL customers as of 2023, but is expected to have at least one customer by 2028.

Since 2002, the City has been a member of Northwest Requirements Utilities (NRU), which represents the power and transmission interests of 57 consumer-owned electric utilities. In anticipation of operating under BPA's Regional Dialogue Contract for wholesale power and desiring more control over tier 2 power resource options, 16 NRU members utilize NRU-Power Services (NRU-PS) to provide administrative and non-Federal power management services. NRU-PS members include municipalities, public utility districts, and rural cooperatives. To accommodate State and organizational legal mandates, the member utilities created two additional entities for the purpose of actual resource acquisition. Northwest Intergovernmental Energy Supply (NIES) represents

municipal and public utility district members while Northwest Energy Supply Cooperative (NESC) represents cooperatives. Richland is a NIES member. Both NIES and NESC have agreements allowing NRU-PS to provide the necessary administrative functions required to procure non-Federal resources. Richland elected to meet its tier 2 requirements through BPA from 2015-2019 and began using a blend of non-federal market purchases supplied by NIES beginning in late 2019. NRU-PS members continue to actively evaluate resource acquisition opportunities including potential for post 2019 baseload era. This effort includes considering renewable resources necessary to meet State renewable portfolio standards as part of the Washington State's Energy Independence Act and the Clean Energy Transformation Act (CETA). However, energy policy regulations on carbon emitting electrical generation have decreased the available supply of non-federal generation resources and the availability for firm block shaped resources. The weighted average market price in the PNW from 2014-2021 was \$29/MWh and \$83/MWh from 2022-2023. The forecasted market price in the PNW is \$84 from 2024-2030. With the supply volatility affecting market-based resources, the City is expected to utilize BPA for tier 1 and all tier 2 obligations from 2024 through 2028. Any NLSL customer is the financial responsibility of the actual NLSL customer.

Richland is also a long-standing member of Energy Northwest (EN), a joint operating agency with 28 Washington consumer-owned electric utility members. Richland holds less than 2% interest in each of EN's nuclear generating projects 1, 2, and 3. Only Columbia Generating Station (CGS) Project 2 was completed while projects 1 and 3 were terminated. Richland's pro-rata share of EN costs are included in the BPA wholesale priority firm power billings. BPA acquires the output of CGS and reimburses EN for its operating and debt costs under a Direct Pay Agreement. Through a net billing participant agreement, the City remains obligated to pay its share of the cost to retire the bonds for projects 1, 2 and 3 if the Direct Pay Agreement discontinues. Richland may also be obligated to pay, either as a participant or as a member of EN, the costs of project site restoration.

NOTE 12. CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but, where based on available information, management believes it is probable that the City will have to make payment. In the opinion of City management, the City's insurance policies are adequate to pay all known or pending claims.

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

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

NOTE 13. TAX ABATEMENTS

In 2023 the City created the Horn Rapids Triangle Targeted Urban Area in accordance with Chapter 84.25 of the Revised Code of Washington (RCW). A Targeted Urban Area (TUA) allows cities and counties to offer certain exemptions from property taxes for the value of new construction of industrial and manufacturing facilities in qualifying designated geographic areas for up to ten years.

To qualify for the exemption, a project must create a minimum of twenty-five new family living wage jobs, include building improvements of at least 10,000 square feet with a minimum value of \$800,000, and have uses categorized as “division D: manufacturing” or “division E: transportation (major groups 40-42, 45 or 47-48)” as defined by the US Department of Labor.

Businesses seeking this exemption must apply and be approved by the City Council prior to December 31, 2030. Once approved, a conditional certificate of acceptance of tax exemption is issued. Construction of the facilities subject to the exemption must be completed within three years of the issuance of the conditional certificate of tax exemption. An extension of two years may be granted by the City.

Upon completion of new construction and filing of the certificate of tax exemption, property taxes on the qualifying facilities shall be abated for ten years. Value of land or nonindustrial/manufacturing-related improvements do not qualify for abatement.

Annual reporting is required, and if a business voluntarily or involuntarily discontinues compliance with the chapter, additional property tax must be imposed in the amount that would have been imposed if an exemption had not been available, plus a penalty equal to 20 percent of the additional value.

For the fiscal year ended December 31, 2023, the City abated property taxes totaling \$0. The City has outstanding agreements in place, and construction is in progress, but no final certificates of tax exemption have been issued by the City.

NOTE 14. SERVICE CONCESSION ARRANGEMENTS

The City has identified one Public-Private Partnership agreement that meets the criteria in GASB Statement No. 94 for reporting as a Service Concession Arrangement (SCA); the Horn Rapids ORV Park.

Horn Rapids Off-Road Vehicle (ORV) Park

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

HRMC is required to operate and maintain the ORV Park in accordance with the agreement. The premises are to be used for conducting the following business: a motorsport complex to include MX track, ATV track, 4x4 relay track, 4x4 obstacle course, sand drags, and campground. The agreement establishes fee schedules that may be increased by the operator at an annual rate of not to exceed 10% per year.

Per the requirements of GASB Statement No. 94, assets constructed, or improvements made by the operator that will not become property of the City until the termination of the agreement, are recorded at acquisition value in the period when the assets were placed into service and are offset by a deferred inflow of resources in the Government-Wide Statement of Net Position, when applicable. At the end of the agreement term, HRMC is required to “return the premises to the City in same or better condition, reasonable wear and tear accepted.” As a result, assets provided by the operator are not currently depreciated. In addition, HRMC constructed and will construct certain improvements to the facilities which may be either permanent or removable in nature. Permanent structures constructed by HRMC on the premises become property of the City upon the expiration of the agreement’s final term. The City reports the ORV Park and related structures as a governmental capital asset with a carrying value of \$4,289,329 at year end and reports a deferred inflow of resources in the amount of \$3,090,600 related to the structures that have been purchased or constructed by HRMC.

HRMC pays the City a percentage of gross receipts from the revenues generated by operation of the ORV Park as follows: 2% of the first \$300,000 in annual gross receipts, and 3% of annual gross receipts exceeding \$300,000. According to GASB Statement No. 94, paragraph 23, variable payments, including payments related to revenue sharing arrangements, based on future performance of the operator, should not be included in the measurement of the receivable for installment payments. The City recognizes these variable payments as revenue in the period to which the payments relate.

NOTE 15. FUND BALANCE CLASSIFICATION

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

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

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City of Richland, Washington
Annual Comprehensive Financial Report
Notes to the Financial Statements
For the Year Ended December 31, 2023

Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)		
Balance Sheet Description	Amount	Purpose
Restricted For:		
Capital Improvements	\$ 2,268,127	Real Estate Excise Tax restricted for capital improvements
	5,151,385	Fire Station 76 construction
	561,616	Streets construction projects
	1,159,208	Acquisition and development of public open space (parks)
	126,967	Restricted by franchise agreement for cable broadcast equipment
	<u>\$ 9,267,302</u>	
Public Safety	\$ 2,445,911	Public Safety Sales/Criminal Justice Tax restricted to criminal justice purposes
	56,668	Police confiscations
	115,259	Opioid settlement
	<u>\$ 2,617,838</u>	
Economic Environment	\$ 384,215	Contingency for performance of Hanford Reach Interpretive Center
	2,270,383	Lodging Tax proceeds restricted for tourism promotion
	834,272	HUD Program for owner occupied housing rehabilitation
	2,137,227	HUD Program for home down payment assistance
	15,000	Future Logan Street extension
	150,000	Code enforcement abatement
	2,118,933	Building permit proceeds - unspent
	2,062	Restricted for public art
	<u>\$ 7,912,090</u>	
Other Purposes	\$ 1,340,001	Fire/Police pensions
	82,563	Police operations and special projects
	<u>\$ 1,422,565</u>	
Committed For:		
Capital Improvements	\$ 452,951	Library capital improvements
	10,447,345	Park construction projects
	1,058,106	General government construction projects
	<u>\$ 11,958,403</u>	
Public Safety	\$ 23,255	Police operations and special projects
	25,000	Police - narcotics investigations
	60,539	Fire equipment
	<u>\$ 108,794</u>	
Economic Environment	\$ 214,016	Commercial improvement program
	6,023,462	Industrial development
	<u>\$ 6,237,478</u>	
Assigned To:		
Public Safety	\$ 68,483	Police operations and special projects
	6,235	Fire Department operations
	<u>\$ 74,718</u>	
Transportation	\$ 6,755,557	Construction of streets infrastructure
	785,546	Maintenance of streets and rail infrastructure
	<u>\$ 7,541,103</u>	

NOTE 16. Subscription Based Information Technology Arrangements (SBITA)

The City of Richland has several noncancellable agreements for right-to-use information technology hardware and software. For SBITAs that meet the capitalization threshold of \$25,000 or higher (formerly \$5K), the City of Richland recognizes a subscription liability and a right-to-use subscription intangible capital asset on the Statement of Net Position in the government-wide and proprietary and fiduciary fund financial statements.

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

The subscription liability is initially measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the portion of the subscription payment that would have been principal if the City had incurred debt to purchase a similar asset type and under similar terms at the commencement or remeasurement date. The City of Richland uses the same incremental borrowing rate used for leases as the discount rate for SBITAs.

The subscription term includes the noncancellable periods of the SBITA plus any additional periods covered by either the City of Richland or vendor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the City of Richland and the vendor have a unilateral option to terminate (or if both parties must agree to extend) are excluded from the subscription term.

Certain payments are evaluated to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

The City of Richland monitors changes in circumstances that may require remeasurement of a subscription liability. When certain changes occur that are expected to significantly affect the amount of the subscription, the liability is remeasured, and a corresponding adjustment is made to the subscription asset.

The subscription asset is initially measured as the amount of the subscription liability, plus any subscription payments made at or before the subscription commencement date and capitalizable implementation costs, less any vendor incentives received at or before the subscription commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

For SBITAs below the capitalization threshold and with a maximum possible term of 12 months or less at commencement, an expense/expenditure is recognized based on the provisions of the contract, of subscription payments made.

Generally, the City of Richland's incremental borrowing rate is used as the discount rate for SBITAs unless the rate that the vendor charges is known. The incremental borrowing rate for SBITAs is based on the rate of interest the City of Richland would be charged if it issued debt to borrow an amount equal to the payments for a similar asset type and under similar terms at the commencement or remeasurement date.

The City has five qualifying SBITAs under GASB Statement No. 96 in which it is acting as a Lessee. Each subscription varies from two to three years with options to extend on a yearly basis. Subscriptions range from service platforms to infrastructure as a service. Each subscription has a specific monthly or yearly payment.

- The City makes subscription payments yearly for \$27,242 to Adobe Learning for use of multiple platforms. The contract is for three years and has a cancelable clause after two years. Pricing is subject to change each year of renewal. The contract expires December 31st, 2026.
- The City makes subscription payments yearly to Cleargov with a two-year contract starting in 2023 and ending in 2025. Yearly payments are made with a set amount of \$26,022 for 2023 and \$28,328 for 2024. These amounts exclude sales tax. Renewal is based on specific terms and are subject to 3% increases. Cleargov is a local government cloud-based budget cycle management software used for budgeting and capital projects tracking.
- The City makes subscription payments yearly to KnowBe4 with a three-year contract starting in 2023 and ending in 2026. Yearly payments are made with a set amount of \$45,024. KnowBe4 is a security awareness training subscription used by City employees.
- The City makes subscription payments yearly to CitiBot with a three-year contract starting in 2023 and ending in 2026. In 2023, the City paid \$21,794 in subscription fees. Yearly costs for the subscription are subject to be increased by 5%. Renewals are on a three-year period. The City has a noncancelable right for each term. This subscription covers a chatbot customer service platform and software.
- BCES makes subscription payments yearly to MFA Cerium with a three-year contract starting in 2023 and ending in 2026. Renewals after 2026 are subject to be on a 12-month cycle and be cancelable. In 2023, the yearly fee for this subscription was \$26,036. BCES uses this subscription to ensure multiple factor authentication processes in their online mailbox.

In 2023, the City of Richland paid \$142,484 in subscription payments. The following schedule presents future annual subscription payments due.

Year ended in December 31	Principal	Interest	Total
2024	\$101,693	\$23,159	\$124,852
2025	\$85,625	\$11,696	\$97,321
2026	\$26,194	\$1,048	\$27,242
Total	\$213,513	\$35,903	\$249,416

The right-to-use intangible capital asset associated with the SBITAs:

Governmental Activities	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2023
SBITAs	\$ -	\$ 355,963	\$ -	\$ 355,963
Accumulated Amortization	-	-	79,083	79,083
Right-to-use SBITA Software Subscription	-	355,963	79,083	435,046
Total Governmental Activities SBITA Assets, Net	\$ -	\$ 355,963	\$ 79,083	\$ 435,046

City of Richland, Washington
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Required Supplementary Information
For the Year Ended December 31, 2023

OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS POST EMPLOYMENT HEALTHCARE PLAN FOR THE YEAR ENDED DECEMBER 31, 2023 LAST 10 FISCAL YEARS*						
	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 5,527,310	\$ 9,009,017	\$ 9,317,685	\$ 10,047,417	\$ 10,859,388	\$ 10,218,385
Service Cost	148,650	342,624	322,534	357,678	327,477	317,939
Interest	218,241	165,051	185,186	274,039	394,657	412,174
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	89,141	(2,500,483)	(132,461)	(324,882)	185,689	(718,605)
Changes of Assumptions	79,488	(725,932)	77,997	(156,493)	(394,411)	1,717,693
Benefit Payments	(352,333)	(360,887)	(318,227)	(606,428)	(1,030,936)	(811,722)
Implicit Rate Subsidy Fulfilled	(222,210)	(402,080)	(443,697)	(273,646)	(294,447)	(276,476)
Total OPEB Liability - Ending	\$ 5,488,287	\$ 5,527,310	\$ 9,009,017	\$ 9,317,685	\$ 10,047,417	\$ 10,859,388
Covered-employee Payroll**	\$ 6,755,864	\$ 6,527,405	\$ 8,357,859	\$ 8,075,226	\$ 10,111,177	\$ 9,816,677
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	81.24%	84.68%	107.79%	115.39%	99.37%	110.62%
Notes to Schedule:						
* Until a full 10 year trend is compiled, only information for those years available is presented. The City adopted GASB Statement No. 73 for the fiscal year ending December 31, 2018.						
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB Statement No. 75, par. 246)						
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75						

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LEOFF 1 FIREFIGHTERS OPEB FOR THE YEAR ENDED DECEMBER 31, 2023 LAST 10 FISCAL YEARS*						
	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 2,089,874	\$ 3,920,705	\$ 4,039,296	\$ 8,820,142	\$ 9,055,358	\$ 9,668,049
Service Cost	-	-	-	-	-	-
Interest	82,853	71,148	77,889	239,004	335,022	332,039
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(76,898)	(1,227,706)	31,452	(4,458,187)	(251,890)	(354,610)
Changes of Assumptions	49,033	(566,291)	61,816	(303,484)	(75,491)	(328,013)
Benefit Payments	(88,263)	(107,982)	(289,748)	(258,179)	(242,857)	(262,107)
Implicit Rate Subsidy Fulfilled	-	-	-	-	-	-
Total OPEB Liability - Ending	\$ 2,056,599	\$ 2,089,874	\$ 3,920,705	\$ 4,039,296	\$ 8,820,142	\$ 9,055,358
Covered-employee Payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:						
* Until a full 10 year trend is compiled, only information for those years available is presented. The City adopted GASB Statement No. 73 for the fiscal year ending December 31, 2018.						
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB Statement No. 75, par. 246)						
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75						

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LEOFF 1 POLICE OPEB FOR THE YEAR ENDED DECEMBER 31, 2023 LAST 10 FISCAL YEARS*						
	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 3,157,713	\$ 4,727,042	\$ 4,850,841	\$ 14,696,661	\$ 15,533,433	\$ 13,720,278
Service Cost	-	-	-	-	-	-
Interest	125,338	85,802	95,369	400,745	577,975	565,609
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(126,327)	(726,784)	(127,624)	(9,522,508)	(455,025)	(997,276)
Changes of Assumptions	69,306	(800,485)	73,244	(475,804)	(718,232)	2,474,999
Benefit Payments	(125,867)	(127,862)	(164,788)	(248,253)	(241,490)	(230,177)
Implicit Rate Subsidy Fulfilled	-	-	-	-	-	-
Total OPEB Liability - Ending	\$ 3,100,163	\$ 3,157,713	\$ 4,727,042	\$ 4,850,841	\$ 14,696,661	\$ 15,533,433
Covered-employee Payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:						
* Until a full 10 year trend is compiled, only information for those years available is presented. The City adopted GASB Statement No. 73 for the fiscal year ending December 31, 2018.						
** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB Statement No. 75, par. 246)						
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75						

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PENSION PLANS

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS										
FIRE PENSION										
FOR THE YEAR ENDED DECEMBER 31, 2023										
LAST 10 FISCAL YEARS										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability - beginning	\$ 940,339	\$ 1,492,190	\$ 1,563,693	\$ 1,696,538	\$ 1,664,161	\$ 1,494,982	\$ 1,845,762	\$ 1,955,082	\$ 2,072,542	\$ 2,174,667
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	35,879	26,451	30,123	45,033	59,872	63,404	87,993	92,704	98,363	103,590
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(4,000)	(110,773)	(4,119)	(288,009)	(13,348)	112,317	(208,186)	-	(4,485)	-
Changes of assumptions	12,886	(358,318)	17,586	228,116	121,000	173,506	(58,767)	-	-	-
Benefit payments, included refunds of employee contributions	(108,913)	(109,211)	(115,093)	(117,985)	(135,147)	(180,048)	(171,820)	(202,024)	(211,338)	(205,715)
Net change in total pension liability	(64,148)	(551,851)	(71,503)	(132,845)	32,377	169,179	(350,780)	(109,320)	(117,460)	(102,125)
Total pension liability - ending	\$ 876,191	\$ 940,339	\$ 1,492,190	\$ 1,563,693	\$ 1,696,538	\$ 1,664,161	\$ 1,494,982	\$ 1,845,762	\$ 1,955,082	\$ 2,072,542
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule										
* Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB Statement No. 73, par. 128)										
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68										

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS										
POLICE PENSION										
FOR THE YEAR ENDED DECEMBER 31, 2023										
LAST 10 FISCAL YEARS										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability - beginning	\$ 2,161,540	\$ 3,191,920	\$ 3,289,149	\$ 3,600,194	\$ 3,129,835	\$ 1,978,316	\$ 2,760,704	\$ 2,823,401	\$ 2,910,561	\$ 2,978,378
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	83,496	56,834	63,836	96,207	112,867	116,570	133,349	136,197	139,988	143,633
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	2,974	67,387	(11,589)	(532,265)	(41,736)	1,304,898	(658,565)	-	(21,223)	-
Changes of assumptions	39,521	(948,390)	45,188	328,481	639,350	(79,437)	(69,702)	-	-	-
Benefit payments, included refunds of employee contributions	(199,805)	(206,211)	(194,664)	(203,468)	(240,122)	(190,512)	(187,470)	(198,894)	(205,925)	(211,450)
Net change in total pension liability	(73,814)	(1,030,380)	(97,229)	(311,045)	470,359	1,151,519	(782,388)	(62,697)	(87,160)	(67,817)
Total pension liability - ending	\$ 2,087,726	\$ 2,161,540	\$ 3,191,920	\$ 3,289,149	\$ 3,600,194	\$ 3,129,835	\$ 1,978,316	\$ 2,760,704	\$ 2,823,401	\$ 2,910,561
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule										
* Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB Statement No. 73, par. 128)										
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68										

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1										
As of June 30, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.183800%	0.198149%	0.188313%	0.195936%	0.207529%	0.208701%	0.209308%	0.222982%	0.221151%	0.229721%
Employer's proportionate share of the net pension liability (asset)	4,195,661	5,517,195	2,299,742	6,917,599	7,980,227	9,320,658	9,931,828	11,975,184	11,568,254	11,572,303
TOTAL	4,195,661	5,517,195	2,299,742	6,917,599	7,980,227	9,320,658	9,931,828	11,975,184	11,568,254	11,572,303
Covered payroll*	32,762,596	32,065,116	28,938,107	29,781,630	29,124,314	27,576,242	26,123,426	26,327,222	24,875,108	24,674,608
Employer's proportionate share of the net pension liability as a percentage of covered payroll	12.81%	17.21%	7.95%	23.23%	27.40%	33.80%	38.02%	45.49%	46.51%	46.90%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
Notes to Schedule:										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2/3										
As of June 30, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.236994%	0.258001%	0.241933%	0.255753%	0.267892%	0.265600%	0.264362%	0.277811%	0.275857%	0.282032%
Employer's proportionate share of the net pension liability (asset)	(9,713,633)	(9,568,692)	(24,100,420)	3,270,935	2,602,142	4,534,884	9,185,316	13,987,564	9,856,528	5,700,885
TOTAL	(9,713,633)	(9,568,692)	(24,100,420)	3,270,935	2,602,142	4,534,884	9,185,316	13,987,564	9,856,528	5,700,885
Covered payroll*	32,762,596	32,065,116	28,938,107	29,781,630	29,124,314	27,450,839	25,916,025	26,005,102	24,485,420	24,147,489
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.65%	-29.84%	-83.28%	10.98%	8.93%	16.52%	35.44%	53.79%	40.25%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%
Notes to Schedule:										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
LEOFF RETIREMENT SYSTEM PLAN 1										
As of June 30, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.124444%	0.126497%	0.123781%	0.127127%	0.129806%	0.129145%	0.128052%	0.126016%	0.125802%	0.125288%
Employer's proportionate share of the net pension liability (asset)	(3,693,528)	(3,628,709)	(4,240,195)	(2,400,805)	(2,565,760)	(2,344,630)	(1,942,831)	(1,298,325)	(1,516,192)	(1,519,482)
State's proportionate share of net pension liability (asset) associated with employer	(24,982,930)	(24,544,500)	(28,680,573)	(16,238,984)	(17,354,735)	(15,859,019)	(13,141,258)	(8,781,839)	(1,516,192)	(1,519,482)
TOTAL	(28,676,458)	(28,173,210)	(32,920,768)	(18,639,789)	(19,920,495)	(18,203,649)	(15,084,089)	(10,080,164)	(3,032,384)	(3,038,964)
Covered payroll*	-	-	-	-	-	-	-	31,473	75,470	91,992
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-4125.19%	-2008.99%	-1651.75%
Plan fiduciary net position as a percentage of the total pension liability	175.99%	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%
Notes to Schedule:										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
LEOFF RETIREMENT SYSTEM PLAN 2										
As of June 30, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.422569%	0.444254%	0.402318%	0.410844%	0.432599%	0.442011%	0.439701%	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability (asset)	(10,135,732)	(12,073,482)	(23,368,295)	(8,380,618)	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(6,472,574)	(7,820,939)	(15,075,101)	(5,358,770)	(6,563,061)	(5,810,358)	(3,958,010)	(1,708,071)	(4,227,228)	(5,539,728)
TOTAL	(16,608,305)	(19,894,421)	(38,443,396)	(13,739,388)	(16,585,052)	(14,784,145)	(10,059,635)	(4,328,105)	(8,454,456)	(11,079,456)
Covered payroll*	18,609,903	17,265,092	16,219,097	15,580,281	14,984,568	14,593,802	13,754,625	13,646,421	11,937,074	11,617,276
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-54.46%	-69.93%	-144.08%	-53.79%	-66.88%	-61.49%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension liability	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%
Notes to Schedule:										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

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SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1										
As of December 31, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 1,167,844	\$ 1,182,229	\$ 1,314,404	\$ 1,437,901	\$ 1,464,462	\$ 1,431,430	\$ 35,334	\$ 48,941	\$ 67,823	\$ 78,321
Contributions in relation to the statutorily or contractually required contributions*	(1,167,844)	(1,182,229)	(1,314,404)	(1,437,901)	(1,464,462)	(1,431,430)	(27,661)	(25,145)	(38,503)	(44,388)
Contribution deficiency (excess)	-	-	-	-	-	-	7,673	23,796	29,320	33,933
Covered payroll**	\$ 34,179,651	\$ 31,506,141	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,948,293	\$ 25,347,210	\$ 25,380,922	\$ 25,441,133
Contributions as a percentage of covered payroll	3.42%	3.75%	4.32%	4.79%	4.95%	5.06%	0.13%	0.19%	0.27%	0.31%
Notes to Schedule										
Excess contributions in PERS 1 are due to leave cashouts										
* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund PERS 1 UAAL										
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2 & 3										
As of December 31, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 2,173,827	\$ 2,003,792	\$ 2,184,355	\$ 2,375,815	\$ 2,279,911	\$ 2,121,044	\$ 3,183,939	\$ 2,808,191	\$ 2,536,893	\$ 2,302,039
Contributions in relation to the statutorily or contractually required contributions	(2,173,827)	(2,003,792)	(2,184,355)	(2,375,815)	(2,279,911)	(2,121,044)	(3,183,939)	(2,808,191)	(2,536,893)	(2,302,039)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll*	\$ 34,179,651	\$ 31,506,141	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,717,377	\$ 25,122,302	\$ 24,998,494	\$ 24,961,610
Contributions as a percentage of covered payroll	6.36%	6.36%	7.18%	7.92%	7.71%	7.50%	11.92%	11.18%	10.15%	9.22%
Notes to Schedule										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 1										
As of December 31, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-	-	-	-	(109)	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	649	-
Covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,906	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.34%	N/A
Notes to Schedule										
Excess contribution in 2015 is due to corrections for 1980 for time that was not reported for employee										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 2										
As of December 31, 2023										
Last 10 Fiscal Years										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 1,013,616	\$ 930,560	\$ 853,461	\$ 817,869	\$ 794,365	\$ 774,994	\$ 735,325	\$ 677,438	\$ 642,151	\$ 614,451
Contributions in relation to the statutorily or contractually required contributions	(1,013,616)	(930,560)	(853,461)	(817,869)	(794,365)	(774,994)	(735,325)	(677,438)	(642,151)	(614,451)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll*	\$ 19,778,826	\$ 18,154,620	\$ 16,601,956	\$ 15,857,451	\$ 15,151,138	\$ 14,648,249	\$ 14,266,819	\$ 13,414,604	\$ 12,715,703	\$ 12,167,241
Contributions as a percentage of covered payroll	5.12%	5.13%	5.14%	5.16%	5.24%	5.29%	5.15%	5.05%	5.05%	5.05%
Notes to Schedule										
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB Statement No. 82, par. 5)										

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	42,656	42,656	-	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218		-	5,873	5,873	-	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	12,991	12,991	-	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	42,319	42,319	-	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	65,636	65,636	-	1,2,3,4
Total CDBG - Entitlement Grants Cluster:				-	169,475	169,475	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	1,575	1,575	1,575	1,2,3,4

ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	39,148	39,148	39,148	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	29,705	29,705	29,705	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	3,041	3,041	3,041	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	29,412	29,412	29,412	1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	407,461	407,461	407,461	1,2,3,4
Total ALN 14.239:			-	510,342	510,342	510,342	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Seattle Police Department)	Missing Children's Assistance	16.543	16,221	-	16,221	-	1,2
			Contract No 300- 20 (Support Contract # 20- 01593) ORD 27-20				
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	2,059	2,059	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	10,174	-	10,174	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,801	-	3,801	-	1,2

OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16,738	Contract #317-22, Resolution 2022- 103	1,255	-	1,255	-	1,2
			Total ALN 16.738:	15,230	-	15,230	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	STPUL-TAP- 3504(002), LA-9625	129,745	-	129,745	-	1,2,4,6
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	STPUL - 9903(023), LA- 9929	230,875	-	230,875	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	NHPP-3463 (003), LA-10235	1,049,599	-	1,049,599	-	1,2,4,6
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	TAP-9903(025), LA-9931	588,624	-	588,624	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	TAP-3473(001), LA-10395	224,000	-	224,000	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20,205	HSIP-000S(652), LA-10533	33,627	-	33,627	-	1,2,4

FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(653), LA-10534	47,209	-	47,209	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(532), LA-9716	82,043	-	82,043	-	1,2,4,6
		Total ALN 20.205:		2,385,722	-	2,385,722	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2022-HVE-4455-Region 14 Target Zero Task Force	1,297	-	1,297	-	1,2,4
		Total Highway Safety Cluster:		1,297	-	1,297	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	20-6541C-302 - & amendment A; CV20302 Cares Act	-	4,269,041	4,269,041	-	1,2,4
NATIONAL ENDOWMENT FOR THE HUMANITIES, NATIONAL ENDOWMENT FOR THE HUMANITIES (via Washington State Library)	COVID 19 - Promotion of the Humanities Federal/State Partnership	45.129	Contract No. 146-23 Res 2022-143	8,300	-	8,300	-	1,2
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington State Library)	Grants to States	45.310	OSOS No. G-7647	5,400	-	5,400	-	1,2
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington State Library)	Grants to States	45.310	LS-252490-OLS-22	1,765	-	1,765	-	1,2
		Total ALN 45.310:		7,165	-	7,165	-	

ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Ecology)	Environmental Remediation and Waste Processing and Disposal	81.104	IAA No. C2300001 IAA No. C2200005	102,299	-	102,299	-	1,2,4
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E24-118	41,516	-	41,516	-	1,2,4,5
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E23-072	129,648	-	129,648	-	1,2,4,5
Total ALN 81.214:				171,164	-	171,164	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-079	85,891	-	85,891	-	1,2,4,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E24-140	35,319	-	35,319	-	1,2,4,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-132 Amendment 2	18,951	-	18,951	-	1,2,4,5
Total ALN 97.042:				140,161	-	140,161	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E22-101	25,469	-	25,469	-	1,2,4,5

FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E23-088	247,850	-	247,850	-	1,2,4,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E21-080	4,561	-	4,561	-	1,2,4,5
Total ALN 97.067:				277,880	-	277,880	-	
Total Federal Awards Expended:				3,125,439	4,950,917	8,076,356	510,342	

CITY OF RICHLAND, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

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

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation within its CDBG program. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0.00. These funds were disbursed from the revolving loan program income. The City uses the deductive method of reporting, so the expenses reported on the SEFA do not include these disbursements. The amount of principal and interest received in loan repayments for the year was \$16,752.50. Of this amount, \$7,696.42 will continue to build the revolving loan fund. The remaining \$9,056.08 were repayments from the City's defunct CDBG down payment assistance program. These funds were reported as program income and applied to other eligible project costs.

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the CDBG program are net of \$23,064.61 in program income and revolving loan.

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

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the HOME program are net of \$74,219.72 in program income. New loans are recorded as expenditures and tracked as a receivable in the HOME Fund.

NOTE 4 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 5 – BENTON COUNTY EMERGENCY SERVICES (BCES) GRANTS

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

NOTE 6 – PRIOR YEAR EXPENDITURES

The amount shown includes 2022 and prior years expenditures not previously 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.

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

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

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