



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Walla Walla

For the period January 1, 2021 through December 31, 2021

Published July 14, 2022

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

July 14, 2022

Mayor and City Council
City of Walla Walla
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Walla Walla January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Walla Walla 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate 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>CFDA No.</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 Walla Walla January 1, 2021 through December 31, 2021

Mayor and City Council
City of Walla Walla
Walla Walla, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walla Walla, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

June 27, 2022

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 Walla Walla
January 1, 2021 through December 31, 2021

Mayor and City Council
City of Walla Walla
Walla Walla, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Walla Walla, 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, 2021. 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, 2021.

Basis for Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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 that might be material weaknesses or significant deficiencies in internal control over compliance. 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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.



Pat McCarthy, State Auditor
Olympia, WA
July 7, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Walla Walla January 1, 2021 through December 31, 2021

Mayor and City Council
City of Walla Walla
Walla Walla, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walla Walla, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walla Walla, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 18 to the 2021 financial statements, as a result of the COVID-19 pandemic, for several months in 2021, the City Manager directed that all City buildings remain closed to the public, that department directors should reduce the number of people working in City buildings, all City employees should continue to meet at a distance or wear masks and socially distance themselves from other, and everyone should abide by the requirements of the Governor. The City did not experience a significant loss in revenue, including sales tax, and tourism continued as it had in previous years. In 2021, the City received funding under the American Rescue Plan Act (ARPA) and is expecting to receive continued funding in 2022. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 table of contents 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 as a whole. 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 schedule 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 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

June 27, 2022

FINANCIAL SECTION

City of Walla Walla January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Governmental Funds Balance Sheet – 2021

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2021

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2021

Statement of Cash Flows – Proprietary Funds – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2021

Schedule of Changes in the Net Pension Liability and Related Ratios – PERS 1,
PERS 2/3, LEOFF 1, LEOFF 2 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2021

Schedule of Changes in the Net Pension Liability and Related Ratios – Firemens'
Pension Plan – 2021

Schedule of Employer Contributions – Firemens' Pension Plan – 2021

Schedule of Investment Ratios – Firemens' Pension Plan – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Medical –
2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

City of Walla Walla
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 20,314,191	\$ 26,963,771	\$ 47,277,962
Investments	7,483,903	14,609,039	22,092,942
Taxes receivables	2,859,221	-	2,859,221
Other receivables	642,671	3,033,180	3,675,851
Due from other governments	1,211,902	298,297	1,510,199
Prepays	25,040	615,042	640,081
Inventories	-	930,682	930,682
Interfund loans receivable	(693,302)	693,302	-
Internal balances	2,149,852	(2,149,852)	-
Total current assets	33,993,477	44,993,461	78,986,939
Noncurrent assets:			
Restricted cash and equivalents	\$ 16,545	\$ 3,191,060	\$ 3,207,605
Restricted investments	-	2,783,493	2,783,493
Net pension asset	23,431,134	7,124,704	30,555,838
Land	4,657,326	3,375,182	8,032,508
Construction in progress	2,391,628	1,185,666	3,577,294
Right of way	-	225,307	225,307
Capital assets net of accumulated depreciation:			
Buildings and structures	17,030,464	22,831,524	39,861,987
Other improvements	7,599,370	5,249,040	12,848,411
Machinery and equipment	1,835,030	18,247,789	20,082,820
Intangibles	74,277	208,968	283,245
Infrastructure	60,312,272	98,483,429	158,795,701
Total noncurrent assets	117,348,046	162,906,163	280,254,209
Total assets	151,341,524	207,899,624	359,241,148
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	\$ 2,156,538	\$ 680,807	\$ 2,837,345
Deferred outflow OPEB	120,820	21,560	142,380
Deferred outflow debt refunding	390,859	-	390,859

City of Walla Walla
Statement of Net Position
December 31, 2021
(continued)

Total deferred outflows of resources	2,668,217	702,366	3,370,584
Total assets and deferred outflows of resources	154,009,741	208,601,990	362,611,732
LIABILITIES			
Accounts payable	\$ 2,097,493	\$ 922,554	\$ 3,020,047
Other accrued liabilities	2,035,443	685,131	2,720,573
Interest payable	30,192	180,914	211,106
Unearned revenue	343,094	-	343,094
Total current liabilities	4,506,222	1,788,599	6,294,820
Noncurrent liabilities:			
Noncurrent liabilities - due within one year	\$ 4,929,488	\$ 3,974,388	\$ 8,903,876
Noncurrent liabilities - due in more than one year	32,056,157	41,975,661	74,031,817
Total noncurrent liabilities	36,985,645	45,950,049	82,935,693
Total liabilities	41,491,866	47,738,647	89,230,513
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	\$ 16,376,065	\$ 5,293,116	\$ 21,669,181
Federal award received in advance	1,876,785	-	1,876,785
Total deferred inflows of resources	18,252,850	5,293,116	23,545,966
Total liabilities and deferred inflows of resources	59,744,717	53,031,763	112,776,479
NET POSITION			
Net investment in capital assets	\$ 79,574,604	\$ 112,069,236	\$ 191,643,839
Restricted for:			
Capital projects	4,928,558	-	4,928,558
Closure/post closure	-	4,748,934	4,748,934
Community service	2,714,043	-	2,714,043
Debt service	667,293	1,020,782	1,688,076
Expendable	12,402	-	12,402
Library trusts	16,545	-	16,545
Prepaid expenses	25,040	-	25,040
Remediation	-	1,221,306	1,221,306
Pension	23,431,134	-	23,431,134
Unrestricted	(17,104,595)	36,509,970	19,405,375
Total net position	\$ 94,265,024	\$ 155,570,227	\$ 249,835,251

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

City of Walla Walla
Statement of Activities
December 31, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities Total
Primary government:					
Governmental activities:					
General government	\$ 5,416,139	\$ 2,730,765	\$ 4,078,240	\$ 38,000	\$ 1,430,865
Public safety	13,400,024	1,241,029	1,794,345	-	(10,364,650)
Utilities and environment	558,593	564,595	700	11,181	17,883
Transportation	6,142,879	477,004	842,864	4,797,016	(25,995)
Economic development	2,737,653	1,060,616	89,755	-	(1,587,283)
Social services	235,472	-	122,471	-	(113,001)
Culture and recreation	5,071,509	1,154,010	262,158	-	(3,655,341)
Interest expense	406,945	-	-	-	(406,945)
Transfers	-	-	-	143,092	143,092
Total governmental activities	33,969,215	7,228,018	7,190,533	4,989,289	(14,561,375)
Business-type activities:					
Golf course	167,052	114,079	-	-	(52,973)
Sanitation	6,461,721	7,067,376	1,801	-	607,456
Water/Wastewater	20,127,998	27,365,885	510,576	780,683	8,529,146
Stormwater	2,581,600	3,115,603	37,921	235,807	807,731
Landfill	4,484,498	6,231,480	140,628	-	1,887,610
Ambulance	3,122,172	1,558,929	2,543,685	-	980,442
Total business-type activities	36,945,042	45,453,352	3,234,612	1,016,491	12,759,412
Total primary government	<u>\$ 70,914,256</u>	<u>\$ 52,681,370</u>	<u>\$ 10,425,145</u>	<u>\$ 6,005,780</u>	<u>\$ (1,801,963)</u>
General revenues:					
Property tax, levied for general purposes					6,758,070
Property tax, levied for debt service					1,570,479
Sale and use tax					13,019,297
Business and occupation taxes					2,890,436
Utility excise tax					6,924,945
Other taxes					1,290,984
Grants and contributions not restricted to specific programs					65,781
Unrestricted investment earnings					839,539
Gain on sale of capital assets					263,923
Extraordinary item					10,835
Transfers					389,237
Total general revenues, extraordinary items, and transfers					923,481
Change in net position					(429,479)
Net position - beginning					12,329,933
Net position - ending					143,240,294
					<u>\$ 249,835,251</u>

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

City of Walla Walla
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Street Construction	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 6,920,752	\$ 610,975	\$ 10,786,525	\$ 18,318,251
Investments	5,943,945	-	851,353	6,795,298
Taxes receivables	2,260,001	-	642,674	2,902,675
Other receivables	385,544	-	188,303	573,847
Due from other governments	179,006	1,032,895	-	1,211,902
Interfund loans receivable	144,479	-	-	144,479
Prepays	25,040	-	-	25,040
Total assets	\$ 15,858,767	\$ 1,643,870	\$ 12,468,855	\$ 29,971,492
LIABILITIES				
Accounts payable	\$ 716,068	\$ 418,192	\$ 879,193	\$ 2,013,454
Other accrued liabilities	1,837,836	-	85,460	1,923,296
Interfund loans payable	477,508	-	360,273	837,781
Unearned revenue	337,467	-	5,627	343,094
Total liabilities	\$ 3,368,878	\$ 418,192	\$ 1,330,554	\$ 5,117,624
DEFERRED INFLOWS OF RESOURCES				
Federal awards received in advance	\$ 1,876,785	\$ -	\$ -	\$ 1,876,785
Property taxes	185,863	-	42,334	228,197
Total deferred inflows of resources	\$ 2,062,648	\$ -	\$ 42,334	\$ 2,104,982
Total liabilities and deferred inflows of resources	\$ 5,431,527	\$ 418,192	\$ 1,372,888	\$ 7,222,607
FUND BALANCES (DEFICITS)				
Nonspendable	\$ 25,040	\$ -	\$ 16,545	\$ 41,585
Restricted	137,815	141,196	8,169,552	8,448,563
Committed	2,986,761	1,084,482	2,897,468	6,968,710
Assigned	-	-	12,402	12,402
Unassigned	7,277,624	-	-	7,277,624
Total fund balances (deficits)	\$ 10,427,240	\$ 1,225,678	\$ 11,095,967	\$ 22,748,885
Total liabilities and fund balances (deficits)	\$ 15,858,767	\$ 1,643,870	\$ 12,468,855	\$ 29,971,492

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

City of Walla Walla
Balance Sheet
Governmental Funds
December 31, 2021

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

Total fund balances - governmental funds	\$	22,748,885
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		91,486,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(34,870,929)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		228,197
Internal service funds are used by management to charge the costs of health and industrial insurance and emergency communication services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		6,303,832
The net pension asset, liability, deferred outflows and deferred inflows are reported in the government-wide statements of net position but not in the governmental balance sheet.		8,368,756
Net position of governmental activities	\$	<u>94,265,024</u>

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

City of Walla Walla
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Street Construction	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 26,541,434	\$ -	\$ 5,494,711	\$ 32,036,145
Licenses and permits	777,499	-	283,307	1,060,806
Intergovernmental revenues	5,674,320	-	1,230,864	6,905,184
Charges for goods and services	10,660,855	-	568,346	11,229,201
Fines and forfeitures	78,071	-	-	78,071
Miscellaneous revenues	674,897	12,375	247,186	934,458
Capital contributions	-	4,590,133	-	4,590,133
Total revenues	44,407,077	4,602,508	7,824,414	56,833,998
EXPENDITURES				
Current:				
General government	12,473,683	-	-	12,473,683
Public safety	15,734,051	-	74,461	15,808,512
Utilities and environment	606,278	-	-	606,278
Transportation	-	164,553	3,219,375	3,383,928
Economic development	1,272,822	-	1,645,365	2,918,187
Social services	250,166	-	-	250,166
Culture and recreation	5,166,231	-	-	5,166,231
Debt service:				
Interest	3,017	-	407,790	410,807
Principal retirement	-	-	1,585,875	1,585,875
Capital outlay:				
Capital general	48,854	-	105,991	154,845
Capital public safety	110,420	-	27,275	137,695
Capital transportation	-	6,916,498	1,198,486	8,114,985
Capital culture and recreation	-	-	185,502	185,502
Total expenditures	35,665,522	7,081,052	8,450,120	51,196,694
Excess (deficiency) of revenues over expenditures	8,741,555	(2,478,544)	(625,706)	5,637,304
OTHER FINANCING SOURCES (USES)				
Gain(loss) on disposal of capital	10,835	-	-	10,835
Transfers in	172,000	3,165,350	4,184,525	7,521,875
Transfers out	(6,039,090)	(199,405)	(359,900)	(6,598,395)
Total other financing sources (uses)	(5,856,255)	2,965,946	3,824,625	934,316
Net change in fund balances	2,885,300	487,402	3,198,918	6,571,620
Fund balances - beginning	7,541,940	738,276	7,897,049	16,177,265
Fund balances - ending	\$ 10,427,240	\$ 1,225,678	\$ 11,095,967	\$ 22,748,885

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

City of Walla Walla
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

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

Net change in fund balances - total governmental funds (above)	\$ 6,571,620
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,554,310
The net effect of various miscellaneous transaction involving capital asses (i.e., sales and donations) is to increase net assets.	303,997
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	1,619,929
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	43,417
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	6,605,239
Internal service funds are used by management to charge the costs of emergency communications, health and industrial insurance to individual funds. The net revenue (loss) of certain activities of internal service funds is reported in the governmental activities.	232,102
Change in net position of governmental activities.	\$ 19,930,614

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

City of Walla Walla
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities					Governmental Activities	
	Sanitation	Water/Wastewater	Landfill	Ambulance	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current assets:							
Cash and equivalents	\$ 1,138,311	\$ 15,366,892	\$ 2,822,414	\$ 848,199	\$ 1,868,904	\$ 22,044,720	\$ 6,931,536
Investments	1,364,661	4,820,251	2,975,666	-	350,543	9,511,121	5,786,523
Other receivable (net)	450,719	1,562,340	438,141	268,799	218,222	2,938,221	25,371
Due from other governments	-	57,162	74,389	-	166,746	298,297	-
Interfund loans receivable	-	-	-	-	-	-	289,072
Inventories	-	851,038	-	-	-	851,038	79,644
Prepays	-	-	-	2,182	-	2,182	612,860
Total current assets	2,953,691	22,657,683	6,310,610	1,119,180	2,604,416	35,645,579	13,725,006
Noncurrent assets:							
Restricted cash	-	-	3,191,060	-	-	3,191,060	-
Restricted investments	-	-	2,783,493	-	-	2,783,493	-
Other receivable (net)	-	-	94,959	-	-	94,959	-
Interfund loans receivable	-	-	-	-	-	-	1,195,808
Restricted net pension asset	610,032	1,311,664	624,475	3,958,385	290,863	6,795,419	1,340,742
Land	-	2,070,590	1,249,177	-	55,415	3,375,182	135,600
Construction in progress	-	1,057,877	6,943	-	120,846	1,185,666	-
Right of way	-	225,307	-	-	-	225,307	-
Buildings and structures (net)	-	21,440,769	1,052,861	-	337,894	22,831,524	2,203,937
Other improvements (net)	-	1,225,808	3,206,608	-	816,625	5,249,040	-
Machinery and equipment (net)	1,744	9,346,396	390,817	-	32,751	9,771,709	8,501,497
Infrastructure (net)	-	88,028,759	2,284,210	-	8,170,460	98,483,429	49,128
Intangibles (net)	-	39,185	151,135	-	-	190,320	18,648
Total noncurrent assets	611,776	124,746,354	15,035,738	3,958,385	9,824,855	154,177,109	13,445,360
Total assets	3,565,467	147,404,037	21,346,348	5,077,565	12,429,271	189,822,687	27,170,366
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows on pensions	72,869	156,681	74,595	302,584	34,744	641,473	160,154
Deferred outflows on OPEB	-	-	-	21,559	-	21,559	-
Total deferred outflows of resources	72,869	156,681	74,595	324,143	34,744	663,032	160,154
Total assets and deferred outflows of resources	\$ 3,638,336	\$ 147,560,718	\$ 21,420,943	\$ 5,401,708	\$ 12,464,015	\$ 190,485,719	\$ 27,330,520
LIABILITIES							
Current liabilities:							
Accounts payable	91,734	506,238	156,708	9,795	63,772	828,247	178,347
Other accrued liabilities	55,315	391,931	85,096	253,569	50,254	836,165	142,025
Industrial insurance claims	-	-	-	-	-	-	628,658
Pollution remediation and closure	-	-	164,502	-	-	164,502	-
Bonds, loans and notes payable	-	2,568,458	578,366	221,480	70,988	3,439,292	-
Compensated absences	43,903	144,511	56,120	165,770	35,621	445,925	154,390
Total OPEB liability	-	-	-	162,095	-	162,095	-
Total current liabilities	190,952	3,611,139	1,040,791	812,708	220,635	5,876,225	1,103,420
Noncurrent liabilities:							
Bonds, loans and notes payable	-	29,706,289	4,524,657	405,376	161,196	34,797,518	-
Pollution remediation and closure	-	-	4,306,596	-	-	4,306,596	-

City of Walla Walla
Statement of Net Position
Proprietary Funds
December 31, 2021
(continued)

Compensated absences	-	12,092	2,140	-	11,732	25,964	42,418
OPEB liability	-	-	-	2,795,392	-	2,795,392	-
Net pension liability	59,494	127,921	60,903	252,154	28,367	528,839	130,758
Total noncurrent liabilities	59,494	29,846,302	8,894,296	3,452,922	201,295	42,454,309	173,176
Total liabilities	250,446	33,457,441	9,935,087	4,265,630	421,930	48,330,534	1,276,596
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows on pensions	630,353	1,355,358	645,278	2,021,320	300,552	4,952,861	1,385,406
Total deferred inflows of resources	630,353	1,355,358	645,278	2,021,320	300,552	4,952,861	1,385,406
Total liabilities and deferred inflows of resources	880,799	34,812,799	10,580,365	6,286,950	722,482	53,283,395	2,662,002
NET POSITION							
Net investment in capital assets	1,744	90,952,882	3,170,596	-	9,449,286	103,574,509	10,908,810
Restricted for:							
Closure/post-closure	-	-	4,748,934	-	-	4,748,934	-
Debt service	-	913,861	105,045	-	1,877	1,020,782	-
Remediation	-	-	1,221,306	-	-	1,221,306	-
Unrestricted	2,755,793	20,881,176	1,594,698	(885,243)	2,290,369	26,636,793	13,759,708
Total net position	\$ 2,757,536	\$ 112,747,920	\$ 10,840,578	\$ (885,243)	\$ 11,741,532	\$ 137,202,324	\$ 24,668,518
Difference between business-type adjustments to assets and liabilities.							
Net position of business-type activities						18,367,903	
						\$ 155,570,227	

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

City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
December 31, 2021

		Business-type Activities			Total Nonmajor Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
	Sanitation	Water/Wastewater	Landfill	Ambulance			
OPERATING REVENUES							
Licenses and permits	\$ 1,801	\$ 53,642	\$ -	\$ -	\$ -	\$ 55,443	\$ -
Intergovernmental revenues	-	-	140,451	2,424,185	-	2,564,636	658,225
Charges for goods and services	7,063,192	27,028,586	6,201,417	1,531,772	3,152,395	44,977,362	687,012
Fines and forfeitures	-	281,265	-	-	-	281,265	-
Interfund charges	-	-	-	-	-	-	12,614,979
Miscellaneous revenues	-	459	177	146,658	77,287	224,580	10,585
Total operating revenues	7,064,993	27,363,952	6,342,045	4,102,615	3,229,682	48,103,287	13,970,801
OPERATING EXPENSES							
Depreciation	523	3,775,184	427,426	869	215,492	4,419,494	1,211,097
Salaries and wages	745,262	1,598,743	768,548	2,290,234	355,116	5,757,903	1,634,211
Personnel benefits	130,454	314,858	255,986	(228,685)	105,546	578,159	335,202
Supplies	152,318	453,009	68,653	125,005	47,123	846,108	1,055,272
Services and charges	5,557,639	13,345,851	3,359,833	1,062,653	2,095,257	25,421,234	8,880,780
Total operating expenses	6,586,196	19,487,646	4,880,446	3,250,075	2,818,535	37,022,898	13,116,563
Operating income (loss)	478,797	7,876,306	1,461,599	852,539	411,147	11,080,388	854,238
NONOPERATING REVENUES (EXPENSES)							
Intergovernmental revenues	-	458,670	-	-	37,921	496,591	-
Miscellaneous revenues	(8,573)	8,832	18,844	-	(4,489)	14,614	(9,223)
Gain(loss) on disposal of capital	-	(141,020)	-	-	-	(141,020)	29,000
Adjustment to landfill liability	-	-	(304,468)	-	-	(304,468)	-
Pollution remediation	-	-	702,735	-	-	702,735	-
Debt service - interest	-	(559,777)	(79,736)	(10,600)	(10,537)	(660,650)	-
Total nonoperating revenues (expenses)	(8,573)	(233,295)	337,375	(10,600)	22,895	107,802	19,777
Income (loss) before contributions and transfers	470,224	7,643,011	1,798,974	841,939	434,042	11,188,190	874,015
Capital contributions	\$ -	780,683	\$ -	\$ -	235,807	\$ 1,016,491	\$ -
Extraordinary item	-	389,237	-	-	-	389,237	-
Transfers in	-	-	-	1,040,000	85,006	1,125,006	838,140
Transfers out	-	(2,856,531)	-	(11,920)	-	(2,868,451)	(18,176)
Change in net position	470,224	5,956,401	1,798,974	1,870,019	754,856	10,850,473	1,693,979
Total net position - beginning	\$ 2,287,312	\$ 106,791,519	\$ 9,041,603	\$ (2,755,262)	\$ 10,986,677	\$ 126,351,849	\$ 22,974,537
Total net position - ending	\$ 2,757,536	\$ 112,747,920	\$ 10,840,578	\$ (885,243)	\$ 11,741,532	\$ 137,202,324	\$ 24,668,516
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							1,479,460
Changes in net position of business-type activities							\$ 12,329,933

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

City of Walla Walla
Statement of Cash Flows
Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds							Governmental Activities	
	Sanitation	Water	Wastewater	Water/Wastewater	Landfill	Ambulance	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash receipts from customers	\$ 7,113,968	\$ 15,290,340	\$ 12,365,818	\$ 27,656,158	\$ 6,178,729	\$ 1,562,764	\$ 3,234,196	\$ 45,745,816	\$ 689,029
Cash from interfund services	-	-	-	-	-	-	-	-	12,614,979
Cash from other	-	-	-	-	140,628	2,543,685	-	2,684,313	659,247
Payments to employees	(1,157,645)	(2,123,857)	(347,165)	(2,471,022)	(1,251,928)	(3,166,163)	(577,416)	(8,624,175)	(2,446,018)
Payments to suppliers	(4,100,061)	(6,445,319)	(6,261,267)	(12,706,586)	(2,174,495)	(384,832)	(1,146,191)	(20,512,165)	(9,899,686)
Payments to others	-	-	(204,516)	-	-	-	-	(204,516)	54,140
Payments due to other funds	(1,573,109)	(568,417)	(786,269)	(1,354,626)	(1,573,827)	(849,312)	(1,038,295)	(6,389,169)	(650,387)
Net cash provided (used) by operating activities	283,153	6,152,747	4,766,660	10,919,407	1,319,107	(293,858)	472,294	12,700,103	1,021,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Proceeds from grants and contributions	-	-	-	79,857	(36,757)	155,124	(14,278)	188,130	46,120
Proceeds (repayments) from interfund loan	-	-	-	-	-	(229,091)	(47,707)	(276,798)	9,504
Transfers in and out of other funds	-	(1,423,336)	(1,433,195)	(2,856,531)	-	1,028,080	85,006	(1,743,445)	819,964
Net cash provided (used) by noncapital financing activities	4,184	(1,343,479)	(1,433,195)	(2,776,674)	(36,757)	954,113	23,021	(1,832,113)	875,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Proceeds from capital grants and contributions	-	1,236,478	393,112	1,628,590	65,781	-	273,728	1,968,099	7,983
Proceeds of sale of capital assets	-	-	-	-	-	-	-	-	29,000
Purchase of capital assets	-	(1,603,351)	(4,982,189)	(6,585,540)	(344,473)	-	(814,920)	(7,744,934)	(1,695,791)
Construction retainage paid	-	11,005	(34,594)	(23,549)	(64,898)	(5,942)	(5,942)	(94,389)	-
Principal paid on capital debt	-	(1,763,268)	(927,824)	(2,691,092)	(571,289)	-	(21,725)	(3,284,106)	-
Interest paid on capital debt	-	(302,611)	(268,144)	(570,755)	(81,152)	-	(10,574)	(662,481)	-
Net cash provided (used) by capital and related financing activities	-	(2,421,747)	(5,820,598)	(8,242,345)	(996,031)	-	(579,434)	(9,817,810)	(1,658,808)
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase and sale of investments	(327,243)	(976,264)	24,794	(951,470)	177,000	-	4,597	(1,107,116)	(1,852,180)
Interest received	(12,257)	(21,546)	(23,460)	(45,006)	(77,000)	-	(4,489)	(139,252)	(19,449)
Net cash provided (used) by investing activities	(340,000)	(997,811)	1,335	(996,476)	100,000	-	108	(1,246,368)	(1,871,630)
Net increase (decrease) in cash and cash equivalents	(62,663)	1,389,711	(2,485,798)	(1,096,088)	386,318	660,255	(84,010)	(196,188)	(1,633,546)
Cash and cash equivalents - beginning (including \$2,741,287 for the landfill fund reported in restricted cash and \$2,853,822 for the landfill fund reported in restricted investments)	1,200,974	9,716,107	6,746,872	16,462,979	5,627,157	187,944	1,941,030	25,420,085	8,565,082
Cash and cash equivalents - ending (including \$3,191,060 for the landfill fund reported in restricted cash and \$2,783,493 for the landfill fund reported in restricted investments)	\$ 1,138,311	\$ 11,105,818	\$ 4,261,074	\$ 15,366,892	\$ 6,013,475	\$ 848,199	\$ 1,857,020	\$ 25,223,897	\$ 6,931,536
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 478,797	\$ 4,650,350	\$ 3,225,957	\$ 7,876,306	\$ 1,461,599	\$ 852,539	\$ 411,147	\$ 11,080,388	\$ 854,238
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation expense	523	1,746,546	2,028,638	3,775,184	427,426	869	215,432	4,419,494	1,211,097
Changes in assets and liabilities:									
(Increase) decrease in accounts receivable	48,976	288,419	41,534	329,952	(22,689)	3,835	(8,968)	351,106	(7,546)
(Increase) decrease in inventory	-	6,132	-	6,132	-	-	-	6,132	(28,274)
Increase (decrease) in accounts payable	36,787	(51,807)	(460,239)	(512,046)	(319,835)	(3,826)	(28,623)	(827,544)	(585,747)
Increase (decrease) in payroll payable	(30,685)	(46,968)	(6,783)	(53,751)	(3,250)	25,199	(11,437)	(73,924)	(4,629)
Increase (decrease) in other payables	-	-	-	-	-	-	-	-	54,140
Increase (decrease) in compensated absences payable	(11,824)	7,425	2,109	9,534	10,088	4,188	4,226	16,212	25,221
Increase (decrease) in pension adjustment	(239,021)	(447,350)	(64,554)	(511,904)	(234,232)	(1,176,663)	(109,542)	(2,271,762)	(497,196)
Net cash provided (used) by operating activities	283,153	6,152,747	4,766,660	10,919,407	1,319,107	(293,858)	472,294	12,700,103	1,021,304
Noncash investing, capital and financing activities									
Total noncash investing, capital and financing activities	-	-	-	-	-	-	-	-	-
CASH RECONCILIATION									
Actual balance - end of year	\$ 1,138,311	\$ 11,105,818	\$ 4,261,074	\$ 15,366,892	\$ 6,013,475	\$ 848,199	\$ 1,868,904	\$ 25,235,782	\$ 6,931,536
Balance - end of year out of balance	-	-	-	-	-	-	-	-	-

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

January 1, 2021 through December 31, 2021

The accompanying notes are an integral part of the enclosed financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Walla Walla have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America 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 significant accounting policies are described below.

A. Reporting Entity

As required by generally accepted accounting principles the financial statements present the City of Walla Walla. The City was incorporated in 1862 and operates under the laws of the state of Washington applicable to non-chartered code cities, council-manager form of government. Walla Walla is served by a full-time City Manager appointed by a part-time Council of seven members who are elected with four positions being elected in wards and three positions elected at-large. The elections are staggered with alternating four-year terms, including the Mayor, who is elected to the position by the Council.

The basic financial statements do not include the financial position or results of operations of:

- The Walla Walla School District, even though its activities are conducted within the City's borders, is a separate municipal corporation. No financial interdependence exists between the two entities.
- The City Council is responsible for appointing three of the seven board members for the Walla Walla Valley Transit, but the accountability for this organization does not extend beyond making the appointments.
- The City Council is also responsible for appointing the members of the board of the Walla Walla Housing Authority, but the accountability for this organization does not extend beyond making the appointments. RCW 35.82.030 establishes rules governing the Housing Authority.

B. Basis of Presentation Government-wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The City does not have any component units at this time. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to not allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are interfund charges for governmental services, including utilities and certain internal services. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The general (or current expense) fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

Street Capital Project Fund - The Street Capital Project Fund was established to account for receipts and disbursements related to the acquisition, design, construction, and any related street, traffic management project expenditures. Revenues supporting this fund's activities include bond proceeds, grant proceeds, interfund transfers and other revenue sources that may be authorized by City Council.

The City reports the following major enterprise funds:

The Sanitation Fund is responsible for the collection and disposal of solid waste throughout the City and administers the contract for the City's recycling program.

The Water/Wastewater Fund accounts for the water-treatment plant activities, wastewater treatment and disposal, as well as the distribution of water and the collection of wastewater throughout the City including some areas outside city limits.

The Landfill Fund accounts for activities related to waste stored at the landfill, composting operations, and the household hazardous waste disposal program.

The Ambulance Fund accounts for activities related to emergency medical services.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for revenues which are legally restricted to expenditures for a specified purpose.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to report significant capital acquisition and construction separate from ongoing operating activities.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Internal service funds are proprietary funds used to account for an activity which provides goods or services to other funds, departments, or agencies of the primary government on a cost-reimbursement basis.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

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

Governmental fund financial statements 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 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 and claims and judgments, are recorded only when payment is due.

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

2. Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and capital asset depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

The City of Walla Walla operates under a biennial budget in accordance with the Revised Code of Washington (RCW) 35.34.

1. Scope of Budget

Biennial appropriated budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Proprietary funds are adopted on the accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for the fiscal periods which correspond to the lives of debt issues or projects.

The appropriated budget is prepared by fund, function, and department. The fund level is the legal level for budgetary control. Appropriations generally lapse at year-end, except for appropriations for capital outlays, which may be carried forward from year-to-year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

Encumbrance accounting is employed in all funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Amending the Budget

The City Manager is authorized to transfer from fund balance and to transfer budgeted amounts between departments within any fund. However, revisions which are transfers between funds or which alter the total revenue of the City must be approved by the City Council and adopted by ordinance. When the Walla Walla City Council determines it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated biennial budget by Council. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the biennial budget.

3. Excess of Expenditures over Appropriations

For the year ended December 31, 2021, the General Fund did not exceed the appropriated amount.

4. Deficit Fund Net Position

The Ambulance Fund showed a deficit fund balance of (\$885,243) at December 31, 2021. This resulted from the City adopting GASB 75 - Other Post-Employment Benefits (OPEB) and from interfund loans. The Ambulance Fund presented the allocation of the deferred outflows, OPEB Liability and deferred inflows of resources related to the retired LEOFF 1 medical benefits.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. On December 31, 2021, the State LGIP was holding \$44,867,458 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in-lieu-of payments for services rendered. The average compensating balance maintained during 2021 was \$4,871,328.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

See Note 4, Deposits, and Investments.

3. Receivables

Taxes receivable consists of property taxes, other taxes and related interest and penalties (see Note 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 14, Interfund Balances and Transfers.

5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary. Inventories in proprietary funds are valued by the FIFO (first-in-first-out) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when received or consumed rather than when purchased.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 10, Long-Term Debt.

The restricted assets of the enterprise funds are composed of the following:

Cash and Investments	
Closure, post-closure, and remediation	\$5,970,240
Debt service	1,020,782
Total	\$6,991,022

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation, except for donated historical treasures not capitalized because they meet the exemption from capitalization per GASB Statement 34, paragraph 27.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets, and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Capitalization Threshold	Years
Land	\$30,000	n/a
Buildings	30,000	10 to 100
Improvements	30,000	5 to 100
Infrastructure	30,000	5 to 125
Intangible	30,000	Varies
Machinery and Equipment	5,000	2 to 20

See Note 6, Capital Assets, for additional detail.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. Deferred charges on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 8, Pension Plans and deferred outflows of OPEB discussed in Note 16.

In addition to liabilities, the Statement of Net Position will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation, sick, and compensatory time is earned based on the terms of the personnel policy and collective bargaining agreements (CBA). At employment termination, accrued but unused leave time is paid in accordance with the personnel policy and CBA.

10. Pensions

For purposes of measuring the net pension liability or 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.

11. Other Accrued Liabilities

These accounts consist of accrued wages and employee benefits, deposits, and retainage payable.

12. Long-Term Debt

See Note 10, Long-Term Debt.

13. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. As of December 31, 2021, unearned revenue reported in the governmental funds were as follow:

Cemetery Preneed Services	\$314,538
Seizure and Evidence Funds	6,664
Engineering Deposits	19,469
Parks Gift Certificates Outstanding	2,423
Total Unearned Revenue	<u>\$343,094</u>

14. Fund Balance Classification

Fund balance is presented in the governmental fund financial statement and represents the difference between assets and liabilities reported within the governmental fund. Beginning with the most restrictive constraints, the City of Walla Walla fund balance amounts are reported in the following categories.

Nonspendable	Includes items that cannot be spent. Activity that is not in a spendable form (prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activities that are legally or contractually required to remain intact.
Restricted	Externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
Committed	Self-imposed limitations imposed at the highest level of decision-making authority, the City Council. City Council approval by ordinance is required to commit, modify, or rescind resources.
Assigned	Constraints imposed for specific purposes by the City Manager, who is authorized to assign unexpended funds per Walla Walla Municipal Code 3.03.050.
Unassigned	The residual amount of the General Fund not included in the above four categories. Also, deficit fund balances within other governmental fund types are reported as unassigned.

15. Fund Balance Details

Fund Balances		General Fund	Street Construction	Non-Major Governmental	Total Governmental
Nonspendable:					
Prepays		\$ 25,040	\$ -	\$ -	\$ 25,040
Library trusts		-	-	16,545	16,545
Restricted for:					
Community services		137,815	-	2,714,043	2,851,858
Debt service		-	-	667,293	667,293
Capital projects		-	141,196	4,788,216	4,929,412
Committed to:					
Community enforcement and development		2,986,761	-	1,593,845	4,580,606
Cemetery		-	-	369,359	369,359
Debt service		-	-	2,795	2,795
Streets		-	1,084,482	931,470	2,015,951
Assigned to:					
Cemetery and library		-	-	12,402	12,402
Unassigned:					
		7,277,624	-	-	7,277,624
Total fund balances:		\$ 10,427,240	\$ 1,225,678	\$ 11,095,967	\$ 22,748,885

16. Minimum Fund Balance

In 2010, the City Council passed Resolution 2010-028 General Fund Reserve Policy to establish a minimum unassigned fund balance for the General Fund. The policy requires an annual review of the General Fund reserve level and sets the minimum reserve level at 5%. In addition, the policy sets a higher target of 15% for the General Fund reserve level. If at any time, the level of the reserves is projected to drop below the 5% minimum, the City Council will institute budgetary actions to bring the reserve up to the minimum level.

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

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this are as follows:

Land	\$ 4,521,726
Construction in progress	2,391,628
Buildings	23,557,840
Less: accumulated depreciation-buildings	(8,731,314)
Other improvements	10,373,237
Less: accumulated depreciation-other improvements	(2,773,867)
Equipment	3,727,269
Less: accumulated depreciation-equipment	(1,917,657)
Intangibles	784,305
Less: accumulated depreciation-intangibles	(710,028)
Infrastructure	108,838,574
Less: accumulated depreciation-infrastructure	(48,575,430)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 91,486,283</u>

Another element of the reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The following shows the detail of these liability changes:

Bonds payable	(\$13,665,157)
Bond premiums	(754,866)
Interest payable	(30,192)
Debt refunding	390,859
Compensated absences	(1,812,894)
OPEB deferred outflows/inflows	120,820
OPEB liability	(16,916,825)
Firemens' pension liability	(2,202,674)
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>(\$34,870,929)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this difference are as follows:

Capital outlay	\$8,593,026
Depreciation expense	(4,038,716)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$4,554,310</u></u>

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

Gain/(loss) on disposals	\$ (33,603)
Donations	337,600
Net adjustment to increase total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 303,997</u></u>

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

Debt principal repayments	\$ 1,585,875
Amortization of bond premiums	82,911
Amortization of refunded debt	(48,857)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 1,619,929</u></u>

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

Compensated absences	(\$26,178)
Net OPEB liability	1,058,349
Net firemen's pension liability	124,681
Net state pension obligations	5,478,579
Debt service interest	(30,192)
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$6,605,239</u></u>

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand as of December 31, 2021, was \$6,855,360. The City of Walla Walla does not have certificates of deposit; thus no carrying value is reported. The bank balance was \$6,848,237.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are insured by the WPDPC.

B. Investments

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

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments.

Maturities Investment Type	Fair Value	Maturity (in years)	
		Less than 1 year	1-5 year
US Treasury	\$14,925,207	\$1,521,738	\$13,403,469
Government Sponsored Enterprise (GSE's)	\$8,268,303	\$4,536,673	\$3,731,630
Municipal Bonds	\$1,588,082	\$500,360	\$1,087,722
Bank Deposits and LGIP	\$51,715,695	\$51,715,695	-
	\$76,497,288		

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy includes clauses that address credit risk.

At December 31, 2021, the City's investments had the following credit quality distribution for securities with credit exposure:

Credit Risk	Ratings		
	Moody's	S&P	Fair Value
U.S Treasury Notes	Aaa	AA+	\$14,925,207
Government Sponsored Enterprises			
Federal Farm Credit Bank	Aaa	AA+	\$3,009,942
Federal Home Loan Bank	Aaa	AA+	\$4,020,265
Federal Home Loan Mortgage Corporation	Aaa	AA+	\$1,238,096
Municipal Bonds	Aa1	AA+	\$1,588,082
Total			\$24,781,592

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy addresses the collateralization for custodial credit risk.

Custodial Credit Risk	Held by Counterparty	Held by Counterparty's Trust Dept or Agent
U.S Treasury Notes		\$14,925,207
Government Sponsored Enterprises		
Federal Farm Credit Bank		\$3,009,942
Federal Home Loan Bank		\$4,020,265
Federal Home Loan Mortgage Corporation		\$1,238,096
Municipal Bonds		\$1,588,082
Total Investments		\$24,781,592

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The City investment policy contains limitations on the amount that can be invested by issue type.

Investments in Local Government Investment Pool (LGIP)

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

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.
Investments Measured at Fair Value

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

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

The City's custodial bank uses matrix pricing for the valuation of Level 2 investments.

The fair values and levels noted in the following table have been provided by the City's investment advisor Government Portfolio Advisors (GPA). At December 31, 2021, the City had the following investments measured at fair value:

Investments by Fair Value	12/31/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Treasury	\$14,925,207	\$14,925,207	-	-
Government Sponsored Enterprise (GSE's)	\$8,268,303	-	\$8,268,303	-
Municipal Bonds	\$1,588,082	-	\$1,588,082	-
Total Investments measured at fair value	<u>\$24,781,592</u>	<u>\$14,925,207</u>	<u>\$9,856,385</u>	-
Other Securities not Measured at Fair Value				
State Local Government Investment Pool (LGIP)	\$51,715,695			\$51,715,695
Total Investments measured at cost	<u>\$51,715,695</u>			-
Foreign Currency Risk				

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits or investments. The City's policy is to limit deposits subject to foreign currency risk to five percent of total deposits. There is no exposure to foreign currency risk for deposits as of December 31, 2021.

NOTE 4 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by the 15th day of the following month.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	The second installment is due.

In governmental funds, property taxes are recorded as a receivable when levied, offset by deferred revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the county treasurer in January, and collections expected to occur within 30 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Delinquent taxes are evaluated annually. The City may levy up to \$3.60 per \$1,000 of assessed value for general governmental services.

The City's regular levy for 2021 was \$2.318 per \$1,000 on a 2020 assessed valuation of \$2,915,814,335 for a total regular levy of \$6,758,070. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Special levies approved by the voters are not subject to the limitations listed above. The City voted a debt service levy for the purposes of building a fire station in 2004, police station in 2009 and for a pool in February of 2015. The City's 2021 voted levy was \$0.5454 per \$1,000 on a 2020 assessed valuation of \$2,879,344,500 for a total debt service levy of \$1,570,479.

NOTE 5 – CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Capital asset activity for the year ending December 31, 2021 was as follows:

Governmental Activities	Beginning Balance 01/01/2021	Increase	Decrease	Ending Balance 12/31/2021
Capital assets not being depreciated:				
Land	4,657,326	-	-	4,657,326
Construction in progress	2,113,608	1,850,856	1,572,836	2,391,628
Total capital assets not being depreciated	6,770,935	1,850,856	1,572,836	7,048,954

Capital assets being depreciated:				
Buildings	27,811,581	-	-	27,811,581
Improvements other than buildings	10,373,237	-	-	10,373,237
Machinery and equipment	3,793,049	186,549	196,364	3,783,235
Intangibles – computer software	791,886	-	7,581	784,305
Infrastructure	100,576,815	8,466,057	108,111	108,934,761
Total depreciated capital assets	143,346,568	8,652,607	312,056	151,687,119
Less accumulated depreciation for:				
Buildings	10,174,812	606,307	-	10,781,118
Improvements other than buildings	2,568,921	204,946	-	2,773,867
Machinery and equipment	1,932,590	190,151	174,536	1,948,205
Intangibles – computer software	708,420	9,189	7,581	710,028
Infrastructure	45,596,476	3,122,351	96,336	48,622,490
Total accumulated depreciation	60,981,218	4,132,944	278,453	64,835,709
Capital assets being depreciated, net	82,365,351	4,519,663	33,603	86,851,410
Governmental activities capital, net	89,136,285	6,370,518	1,606,439	93,900,365

B. Capital Assets – Business-Type Activities

Business-type Activities	Beginning Balance 01/01/2021	Increase	Decrease	Ending Balance 12/31/2021
Capital assets not being depreciated:				
Land	3,375,182	-	-	3,375,182
Construction in progress	4,205,864	941,641	3,961,839	1,185,666
Intangibles – water rights	225,307	-	-	225,307
Total capital assets not being depreciated	7,806,353	941,641	3,961,839	4,786,155
Business-type assets being depreciated:				
Buildings	40,895,235	1,264,710	-	42,159,945
Improvements other than buildings	10,439,062	-	-	10,439,062
Machinery and equipment	31,445,739	3,656,681	22,165	35,080,255
Intangibles – computer software	325,327	-	-	325,327
Infrastructure	134,883,588	7,539,532	249,442	142,173,678
Total depreciated capital assets	217,988,951	12,460,923	271,607	230,178,268

Less accumulated depreciation for:				
Buildings	18,561,389	767,033	-	19,328,421
Improvements other than buildings	4,881,354	308,668	-	5,190,022
Machinery and equipment	15,035,687	1,818,944	22,165	16,832,466
Intangibles – computer software	61,665	54,695	-	116,359
Infrastructure	41,211,647	2,587,024	108,421	43,690,249
Total accumulated depreciation	79,751,741	5,536,364	130,586	85,157,517
Capital assets being depreciated, net	138,237,210	6,924,560	141,020	145,020,750
Business-type activities capital, net	146,043,563	7,866,201	4,102,860	149,806,905

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$157,284	Golf course	\$70,706
Public safety	369,585	Sanitation	523
Utilities & environment	1,857	Water	1,746,546
Transportation	3,124,041	Stormwater	144,787
Social services	2,581	Wastewater	2,028,638
Culture & recreational environment	477,596	Landfill	427,426
Total depreciation - governmental activities	<u>\$4,132,944</u>	Ambulance	869
		Fleet services	7,653
		Vehicle replacement	1,109,216
		Total depreciation - business-type activities	<u>\$5,536,364</u>

C. Collections not Capitalized

The City has the option to not capitalize historical treasures and similar items according to GASB Statement No. 34, paragraph 27. Governments are encouraged, but not required, to capitalize collections that are a) held for public exhibition, education, or research (rather than financial gain); b) adequately maintained and kept unencumbered; c) subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The City owns the following donated historical treasures not capitalized as of December 31, 2021:

Number	Asset Description	Reason for Not Capitalizing
1	French G.P.F. 155 mm cannon from World War I	Meets exemption under GASB 34, p. 27
2	French G.P.F. 155 mm cannon from World War I	Meets exemption under GASB 34, p. 27

NOTE 6 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The City has active construction projects as of December 31, 2021. The projects include improvements to the Wastewater Treatment Plant, the infrastructure repair and replacement program (IRRP), landfill site improvements, and a bridge replacement.

At year-end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
General construction	\$274,670	\$794,609
Street construction	6,691,879	505,289
TBD street construction	1,035,967	212,201
Water construction	1,437,386	306,589
Stormwater construction	713,209	303,231
Wastewater construction	4,741,927	915,161
Landfill construction	319,432	118,111
Total:	\$15,214,470	\$3,155,191

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts	State Sponsored Plans	Fireman's Pension	Total
Pension liabilities	\$ (1,167,365)	\$ (2,447,415)	\$ (3,614,780)
Pension assets	\$30,555,838	\$ -	\$30,555,838
Deferred outflows of resources	\$2,832,658	\$4,686	\$2,837,345
Deferred inflows of resources	\$ (21,669,181)	\$ -	\$ (21,669,181)
Pension expense/expenditures	\$ (5,237,618)	\$27	\$ (5,237,591)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

* For employees participating in JBM, the contribution rate was 15.90%.

The City's actual PERS plan contributions were \$631,853 to PERS Plan 1 and \$1,025,843 to PERS Plan 2/3 for the year ended December 31, 2021.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%
July – December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%

The City's actual contributions to the plan were \$522,499 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$15,171,055.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2019 *Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,988,673	\$ 1,167,365	\$ 451,101
PERS 2/3	\$ (3,409,955)	\$ (11,969,770)	\$ (19,018,781)
LEOFF 1	\$ (3,074,413)	\$ (3,415,011)	\$ (3,709,687)
LEOFF 2	\$ (9,566,878)	\$ (15,171,055)	\$ (19,759,757)

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, 2021, the City reported its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 1,167,365

At June 30, 2021, the City reported its proportionate share of the net pension assets as follows:

	Asset
PERS 2/3	\$ 11,969,770
LEOFF 1	\$ 3,415,011
LEOFF 2	\$ 15,171,055

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:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (3,415,011)	\$ (15,171,055)
State's proportionate share of the net pension asset associated with the employer	\$ (23,099,051)	\$ (9,786,986)
TOTAL	\$ (26,514,063)	\$ (24,958,041)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.094548%	0.095589%	0.001041%
PERS 2/3	.119545%	0.120159%	0.000614%
LEOFF 1	.101817%	0.099692%	(0.002125%)
LEOFF 2	.256457%	0.261191%	0.004734%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (193,558)
PERS 2/3	\$ (2,723,698)
LEOFF 1	\$ (468,805)
LEOFF 2	\$ (1,851,557)
TOTAL	\$ (5,237,618)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(1,295,385)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$276,233	\$ -
TOTAL	\$276,233	\$(1,295,385)

PERS 2/3	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$581,354	\$(146,738)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(10,003,920)
Changes of assumptions	\$17,492	\$(850,052)
Changes in proportion and differences between contributions and proportionate share of contributions	\$92,893	\$(72,420)
Contributions subsequent to the measurement date	\$461,838	\$ -
TOTAL	\$1,153,577	\$(11,073,129)

LEOFF 1		Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience		\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments		\$ -	\$(1,043,496)
Changes of assumptions		\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions		\$ -	\$ -
Contributions subsequent to the measurement date		\$ -	\$ -
TOTAL		\$ -	\$(1,043,496)

LEOFF 2		Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience		\$688,101	\$(80,178)
Net difference between projected and actual investment earnings on pension plan investments		\$ -	\$(7,233,668)
Changes of assumptions		\$6,558	\$(721,536)
Changes in proportion and differences between contributions and proportionate share of contributions		\$437,571	\$(221,789)
Contributions subsequent to the measurement date		\$270,618	\$ -
TOTAL		\$1,402,848	\$(8,257,171)

TOTAL OF ALL PLANS		Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience		\$1,269,455	\$(226,916)
Net difference between projected and actual investment earnings on pension plan investments		\$ -	\$(19,576,469)
Changes of assumptions		\$24,050	\$(1,571,588)
Changes in proportion and differences between contributions and proportionate share of contributions		\$530,464	\$(294,209)
Contributions subsequent to the measurement date		\$1,008,689	\$ -
TOTAL		\$2,832,658	\$(21,669,181)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
December 31				
2022	(343,148)	(2,723,282)	(277,190)	(1,907,516)
2023	(314,448)	(2,543,545)	(253,541)	(1,775,945)
2024	(297,323)	(2,438,189)	(239,240)	(1,676,537)
2025	(340,466)	(2,639,213)	(273,525)	(1,890,611)
2026	-	(43,379)	-	(4,235)
Thereafter	-	6,218	-	129,905
Total	(1,295,385)	(10,381,391)	(1,043,496)	(7,124,940)

A. Single-Employer Plan

Firemens' Pension Plan

Plan Description. The City is the administrator of the Firemens' Pension Plan (FPP), which is a closed single-employer, defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.16 and 41.18 Membership is limited to firefighters employed prior to March 1, 1970, when the State of Washington established the LEOFF retirement system. The City's obligation under the FPP consists of paying all benefits, including payments to beneficiaries, for firefighters who retired prior to March 1, 1970, and excess benefits over LEOFF for covered firefighters who retired on or after March 1, 1970.

No separate stand-alone report is issued for the FPP. Management of the FPP is overseen by a Fire Pension Board, which consists of five members: The Mayor, who is the chairman of the board, the City Clerk, a councilmember, and two firefighters selected by covered pension members, each of whom serve two-year terms.

Plan Membership. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established. At December 31, 2021, pension membership consisted of the following:

Firefighters retired from service after March 1, 1970	9
Firefighters disabled in line of duty since March 1, 1970	4
Firefighters disabled not in line of duty since March 1, 1970	2
Survivors of firefighters retired after March 1, 1970	<u>5</u>
Total	20

The plan is closed to new entrants.

Benefits. RCW 41.16.080 through 41.16.180 establish the benefits of the plan. Plan members shall be paid upon retirement a pension based upon the average monthly salary drawn for the five-year calendar before retirement, the number of years in service, and a percentage factor based on age upon entering service. In addition, the state requires benefits to include payment on the death of a retired firefighter, payment on the death of eligible pensioner before retirement, payment on death in the line of duty, payment upon disablement in line of duty, payment upon disablement not in the line of duty, payment on separation from service, and funeral expenses.

Contributions. RCW 41.16.050 through 41.16.070, established the contribution rates. The state is required to contribute 25 percent of all monies received from taxes on fire insurance premiums, and active firefighters are required to contribute based on age. The City is required to contribute a tax of 22.5 cents per \$1,000 of assessed value against all taxable property unless a qualified actuary establishes that the whole or any part of said dollar rate is not necessary to maintain the actuarial soundness of the fund. For the year ended December 31, 2021, the state contributed \$55,704, and the City contributed \$112,750, no members made contributions to the Plan. As of the last actuarial study dated January 1, 2020, the actuary determined that current Plan assets and future contributions from state fire insurance taxes and employer contributions will be sufficient to pay all plan benefits.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increase	3.25%
Investment Rate of Return	2.00%
Cost Method	Entry Age Normal

Mortality. The mortality assumptions used in this valuation are based on the 2007-2012 Experience Study for the LEOFF Retirement System prepared by the Office of the State Actuary. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate.

Discount Rate. The discount rate used to measure the total pension liability was 2.00%. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2021 was 2.06%. Rounding this to the nearest 1/4 percent results in the discount rate of 2.00%.

Long-term Rate of Return. GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the Plan’s Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Since the Plan is largely unfunded and the benefits are being funded on a pay-as-you-go basis, we have used a municipal bond rate to discount liabilities. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2021 was 2.06%. Rounding this to the nearest 1/4 percent results in the discount rate of 2.00%. This will need to be re-evaluated as of later valuation dates.

Investment Policy. Plan investments are invested with the City’s funds, and therefore, follow City investment policy. All investment activities will be in compliance with state law. See Note 4, Deposits and Investments, for information regarding the City’s investment activities.

Rate of Return. For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments was 0.0%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the sensitivity of the net pension liability to changes in the discount rate for the City, calculated using the current discount rate 2.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total pension liability	\$2,777,627	\$2,551,192	\$2,354,085
Fiduciary net position	103,777	103,777	103,777
Net pension liability	\$2,673,850	\$2,447,415	\$2,250,308

Changes in the Net Position Liability. The changes in net position liability for the period ending December 31, 2021, are as follows:

	City of Walla Walla Firefighters' Pension Changes in Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2020	\$2,646,771	\$85,775	\$2,560,996
Service cost (Entry Age Normal)	-	-	-
Interest on total pension liability	51,473	-	51,473
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(147,052)	(147,052)	-
Medical payments from fund	-	-	-
Employer contributions	-	112,750	(112,750)
Contributions from state fire insurance premium tax	-	55,704	(55,704)
Net investment income	-	-	-
Administrative expenses	-	(3,400)	3,400
Balance as of December 31, 2021	\$ 2,551,192	\$ 103,777	\$ 2,447,415

Measurement Date. The Valuation Date is January 1, 2020. This is the date as of which the actuarial valuation is performed. The Measurement Date is December 31, 2021. This is the date as of which the net pension liability is determined. The Reporting Date is December 31, 2021. This is the Plan's and/or employer's fiscal year ending date.

Changes in Assumptions. The changes in economic assumptions led to the largest increase in liability. All other changes in assumptions had an insignificant impact on liabilities.

The plan remains sensitive to demographic experience that deviates from expectations due to the small size of the plan membership. The plan also remains highly sensitive to both deviations in the excess benefit amounts from expectations and the assumptions used for wage increases and CPI.

For the fiscal year, ending December 31, 2021, the City's fire pension expense was as follows:

GASB Statement No. 68 Pension Expense			
Pension Expense	January 1, 2020 to December 31, 2020	January 1, 2021 to December 31, 2021	
Service cost	\$ -	\$ -	
Interest on total pension liability	65,482	51,473	
Effect of plan changes	-	-	
Administrative expenses	12,100	3,400	
Medical payments from fund	-	-	
Contributions from state fire insurance premium tax	(53,780)	(55,704)	
Expected investment return net of investment expenses	(1,874)	(1,895)	
Recognition of deferred inflows/outflows of resources			
Recognition of economic/demographic gains or losses	116,687	-	
Recognition of assumption changes or inputs	165,074	-	
Recognition of investment gains or losses	2,794	2,753	
Pension Expense	\$ 306,483	\$ 27	

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$-	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	4,686
Contributions made subsequent to the measurement date	-	-
Total	\$-	\$4,686

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

Year Ended December 31*	
2022	\$2,120
2023	1,434
2024	753
2025	379
2026	-
Thereafter*	-

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Fiduciary Net Position. The components of the net pension liability of the City at December 31, 2021 were as follows:

Total Pension Liability	\$ 2,551,192
Plan Fiduciary Net Position	<u>103,777</u>
City's Net Pension Liability	<u>\$ 2,447,415</u>
Plan fiduciary net position as a percentage of the total pension liability	4.07%

Investment Policy. Plan investments are invested with the City’s funds, and therefore, follow City investment policy. All investment activities will be in compliance with state law. See Note 4, Deposits and Investments, for information regarding the City’s investment activities.

Concentrations. The Plan held the following investments in organizations that represent 5 percent or more of the Plan’s fiduciary net position and are not issued by the US Government at December 31, 2021:

<u>Investment Type</u>	<u>% of Net Position</u>
Local Government Investment Pool	100%

Rate of Return. For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments was 0.0%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts invested.

Required Supplementary Information Schedule. A trend schedule for current year and the previous nine years is displayed in the Required Supplemental Information. These schedules will show the actuarial value of the net pension asset trend.

NOTE 8 – RISK MANAGEMENT

Washington Cities Insurance Authority (WCIA): The City of Walla Walla is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 166 members.

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

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

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

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary.

The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

Association of Washington Cities (AWC): The City of Walla Walla is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Matrix Absence Management: Matrix Absence Management, Inc. manages the workers' compensation claims. Self-insurance is in effect for losses up to \$500,000 per occurrence. The retention is \$500,000 with a Statutory Maximum Liability of Excess Insurer. Claims are processed by Matrix Absence Management and reviewed by the City administration for verification. Based on the claim's manager estimates, the City's estimated liability for probable losses at December 31, 2021 is \$628,658 for the workers' compensation program. The state requires \$100,000 be set aside in cash reserves for protection for the worker's compensation fund. The City met this requirement. The fund's average monthly cash balance for 2021 was \$137,083. No reserves were necessary at year-end as claims are estimated to fall below funded levels.

Workers compensation claim settlement and loss expenses are accrued in the Industrial Insurance Fund for the estimated settlement value of both reported and unreported claims up to the aggregate stop loss. This fund is responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements and for purchasing certain excess insurance policies. Interfund premiums for worker's compensation are assessed on the number of employees and the average claims over the last three years and reported as revenues and expenses.

	Year Ended 12/31/2020	Year Ended 12/31/2021
Unpaid claims, beginning of the fiscal year	\$358,581	\$574,518
Incurred claims (including IBNRs)	348,598	151,477
Changes in estimate for claims, prior period	293,559	275,134
Payments on claims	(426,219)	(372,470)
Unpaid claims, end of fiscal year	\$574,518	\$628,658

NOTE 9 – LONG-TERM DEBT

Governmental Debt: The City issues general obligation and revenue bonds to finance the acquisition and construction of major capital facilities. Bonded indebtedness has also been entered (in prior years) to advance refund several general obligation bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the appropriate resources.

General obligation bonds currently outstanding are as follows:

	Issue Date	Maturity Date	Interest Rate	Original	Outstanding
2013 UTGO Refunding Bond	10/15/2013	12/1/2023	2.72%	2,840,000	650,000
2015 UTGO Bond Pool	10/15/2015	12/1/2034	2.50%-4.00%	5,560,000	4,400,000
2015 LTGO Bond Landfill Liner	5/7/2015	12/1/2024	2.060%	1,366,359	47,425
2015 LTGO Bond Golf Course	5/7/2015	12/1/2024	2.060%	230,951	67,461
2015 LTGO Library	5/7/2015	12/1/2024	2.060%	944,991	322,660
2016 LTGO Water AMI	8/31/2016	12/1/2031	2.00%-3.00%	5,960,000	4,215,000
2016 UTGO Refunding Police Station	9/15/2016	12/1/2029	3.00%	7,745,000	6,005,000
2017 LTGO Bond Landfill	10/18/2017	12/1/2027	2.18%	2,660,000	1,670,000
2020 Refunding Bond	11/23/2020	12/1/2035	0.85%	4,160,790	3,674,800
				\$31,468,091	\$21,052,346

The annual debt service requirements to maturity general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-Type Activities			
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements		Publicly Sold	
12/31/2021	Principal	Interest	Principal	Interest	Principal	Interest
2022	411,265	26,089	481,950	50,567	375,000	103,388
2023	415,002	21,327	494,789	42,576	385,000	92,138
2024	421,744	16,500	504,346	34,314	395,000	80,588
2025	218,236	11,578	412,354	25,879	410,000	68,738
2026	219,232	9,723	422,958	18,650	420,000	56,438
2027-2031	662,701	25,073	696,909	21,637	2,230,000	150,538
2032-2036	261,978	5,591	158,882	3,391	-	-
Total	2,610,157	115,881	3,172,189	197,014	4,215,000	551,826

The annual debt service requirements to maturity unlimited tax obligation bonds are as follows:

Year Ending 12/31/2021	Governmental Activities			
	Publicly Sold		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	930,000	319,740	320,000	17,680
2023	955,000	291,840	330,000	8,976
2024	990,000	263,190	-	-
2025	1,035,000	230,590	-	-
2026	1,080,000	196,490	-	-
2027-2031	4,245,000	475,510	-	-
2032-2036	1,170,000	70,800	-	-
Total	10,405,000	1,848,160	650,000	26,656

Revenue Bonds: The City has pledged future wastewater revenue, net of (e.g., specified operating expenses, etc.), to repay \$6,390,000 in revenue bonds issued in, 2018. Proceeds from the bonds provided financing for improvements for capital construction on the wastewater treatment plant and other capital projects. The bonds are payable solely from wastewater revenue and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,480,800. Principal and interest paid for the current year and total (identify pledged revenue) were \$225,000 and \$275,150, respectively.

Revenue bonds currently outstanding are as follows:

Purpose	Issue Date	Maturity Date	Interest Rate	Original	Outstanding
2018 Water/Wastewater Series	8/28/2018	8/1/2038	4.00%-5.00%	\$6,390,000	\$5,950,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending 12/31/2021	Principal	Interest
2022	235,000	263,900
2023	245,000	252,150
2024	260,000	239,900
2025	275,000	226,900
2026	285,000	213,150
2027-2031	1,655,000	837,000
2032-2036	2,055,000	441,000
2037 and beyond	940,000	56,800
Total	\$5,950,000	\$2,530,800

In proprietary funds, bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount. On December 31, 2021, the City has \$1,020,782 available in debt service funds to service the general bonded debt.

Public Works Trust Fund Loans: The City's business-type activities have six State of Washington Public Works Trust Fund Loans with principal outstanding of \$23,323,061. One loan has an interest rate of 0.5%, another is .94%, four loans have an interest rate of 1.0%, and the final loan is 1.16%. In 2002, 2006, 2007, and 2013, 2015, 2019, and 2021 the City Council authorized all seven loans for improvements to the City's Water and Wastewater Treatment Plants and the Landfill. The loan amounts will be repaid from the Water, Wastewater and Landfill funds in equal installments over a 20-year term.

Public works loans currently outstanding are as follows:

Title	Purpose	Interest Rate	Original	Outstanding
DM13-952-183 Loan Water	Capital construction	1.00%	12,120,000	10,043,402
DM15-952-027 Loan Water	Capital construction	1.00%	10,402,479	8,703,262
PC18-96103-010 Loan Landfill	Capital construction	1.16%	2,233,388	1,998,294
PW-02-691-060 Loan Wastewater	Capital construction	0.50%	5,159,197	278,174
PW-06-962-PRE-103 Loan Wastewater	Capital construction	1.00%	531,399	139,842
PW-07-962-018 Loan Wastewater	Capital construction	1.00%	6,823,104	2,160,087
PC22-96103-048 Loan Wastewater	Capital construction	.94%	5,000,000	-
Total PWTFI:			\$42,269,567	\$23,323,061

Public Works Trust Fund debt service requirements to maturity are as follows:

Year Ending 12/31/2021	Business-Type Activities	
	Principal	Interest
2022	2,033,078	235,037
2023	1,754,904	215,909
2024	1,754,904	198,172
2025	1,754,904	180,435
2026	1,754,904	162,698
2027-2031	7,194,619	571,829
2032-2036	6,212,943	221,736
2037 and beyond	862,806	10,368
Total	\$23,323,061	\$1,796,184

Legal Debt Margin: The City of Walla Walla is subject to a legal limit of indebtedness of 7.5% of the assessed property value, \$2,858,709,920, of which 1.5% may be for General Purpose Debt without a vote of the people, with a vote is 1% or less. Utility purpose limit voted is 2.5% with a vote and 2.5% open space parks and capital facilities, with a vote. The Legal Debt Margin chart in the statistical section of this comprehensive financial annual report provides the detail of the City of Walla Walla's remaining debt capacity.

Rebatable Arbitrage: Arbitrage occurs when the City invests funds borrowed at tax-exempt interest rates in higher-yielding taxable securities. The interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when due and payable. The City did not have any arbitrage excess earnings liability to report in 2021.

NOTE 10 – LEASES

A. Operating Leases

The City leases land, a building, and office equipment under noncancelable operating leases. Total costs for such leases were \$66,055 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2022	36,754
2023	33,004
2024	33,004
2025	27,081
2026-2030	68,242
Total	\$ 198,085

B. Capital Leases

The City of Walla Walla entered into lease agreements for financing equipment with a down payment of \$44,185. These lease agreements qualify as a capital lease for accounting purposes. Therefore, they have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Business-Type Activities
Excavator #1	\$100,971
Less: accumulated depreciation	(209,267)
Total	\$37,737

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2021 were as follows:

Year Ending 31-Dec	Business-Type Activities
2022	44,185
2023	2
Total minimum lease payments	44,187
Less: interest	1,258
Total	\$42,927

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$15,251,033		\$1,585,875	\$13,665,157	\$1,661,265
Bond premiums	837,777	-	82,911	754,866	-
Total bonds payable	16,088,810	-	1,668,786	14,420,023	1,661,265
Special assessment bonds	5,848	-	5,848	-	-
Compensated absences	1,918,061	1,989,819	1,941,569	1,966,311	1,712,384
Worker's compensation claims	574,518	426,611	372,470	628,659	628,658
Firemen's pension liability	2,328,178	823	125,504	2,202,674	-
Total OPEB liability	17,403,014	28,580	514,769	16,916,825	927,181
State pension	3,540,048	-	2,688,895	851,153	-
Governmental activity long-term liabilities	\$41,858,477	\$2,445,010	\$7,317,841	\$36,985,645	\$4,929,488
Business-Type Activities					
Bonds payable:					
General obligation bonds	8,227,655	-	840,467	7,387,188	856,950
Revenue Bonds	6,175,000	-	225,000	5,950,000	235,000
Premiums	794,258	-	52,205	742,052	-
Total bonds payable	15,196,913	-	1,117,672	14,079,240	1,091,950
PW loans wastewater	3,244,264	-	666,157	2,578,107	666,157
Capital leases	84,636	-	41,708	42,927	42,927
Landfill closure	2,820,490	304,468	-	3,124,958	-
DM loans water	19,996,038	-	1,249,374	18,746,664	1,249,374
PW loan landfill	2,115,841	-	117,547	1,998,294	117,547
Pollution remediation	2,048,875	-	702,735	1,346,140	164,501
Compensated absences	495,917	19,363	-	515,280	479,836
Pension liability	1,326,918	-	1,010,707	316,211	-
Firemen's pension liability	232,818	11,959	35	244,742	-
Total OPEB liability	3,342,301	-	384,814	2,957,487	162,095
Business-type activity long-term liabilities	\$50,905,011	335,790	\$5,290,750	\$45,950,049	\$3,974,388

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$327,566 of internal service funds, net pension liability and compensated absences are included in the above amounts. The General Fund, Street Fund, Emergency Services Fund, and Service Center Fund normally liquidate 89.98%, 2.98%, 6.85%, and 0.19% of compensated absences, respectively. The fund for which the liability is incurred is responsible for liquidating compensated absence liabilities. In the

coming years, the General Fund, the Ambulance Fund, and the Fire Medical and Pension Funds, which incurred the pension and OPEB liabilities, are responsible for liquidating the liability.

NOTE 12 – CONTINGENCIES AND LITIGATIONS

The City's financial statements include all material liabilities. There are no material contingent liabilities to record other than those noted herein.

The City of Walla Walla was named as a defendant in an action filed in Walla Walla County Superior Court case number 19-2-00159-36 on February 27, 2019 for injuries allegedly sustained by Kimberly Garbe in a March 2, 2016 traffic collision with a City vehicle. The claim was noted in Note 13 of the 2020 statement of financial condition for the City of Walla Walla. The claim settled on February 1, 2022, and the settlement was funded entirely by WCIA. No City of Walla Walla funds were contributed to the settlement.

The City of Walla Walla was named as a defendant in an action filed in the United States District Court for the Eastern District of Washington case number 4:19-cv-5254 on November 4, 2019 in an action brought by Anthony Haworth for injuries allegedly arising from an investigation by the Walla Walla Police Department into matters charged in Franklin County Superior Court case number 17-1-50264-1. The City of Walla Walla contests liability and is being defended by Richard Jolley of Keating, Bucklin & McCormack. The City has tendered the claim to its insurance pool WCIA which has accepted the tender and is providing a defense. The U.S. District Court granted summary judgment in favor of the City on June 11, 2020 dismissing Mr. Haworth's claims against the City and its employees, but Mr. Haworth filed a notice of appeal on June 4, 2021. The matter is currently pending in the United States Court of Appeals for the Ninth Circuit, case number 21-35436. The City anticipates that its liability, if any, will be paid by WCIA. The amount of the City of Walla Walla's potential liability exposure cannot be estimated at this time, but the City's estimated maximum out-of-pocket exposure is estimated to be no more than \$1,000.

The City of Walla Walla was named as a defendant in an action filed in the United States District Court for the Southern District of California case number 20-cv-1447-W-LL on July 28, 2020 in an action brought by Michael Torrescano for injuries for injuries allegedly arising from an investigation by the Walla Walla Police Department into matters charged in Franklin County Superior Court case number 17-1-50264-1. The City of Walla Walla contests liability and is being defended by Richard Jolley of Keating, Bucklin & McCormack. The City has tendered the claim to its insurance pool WCIA which has accepted the tender and is providing a defense. The U.S. District Court transferred the case to the Eastern District of Washington by order entered on March 30, 2021. The case was received by the United States District Court for the Eastern District of Washington on April 6, 2022 and assigned case number 4:22-cv-05049-TOR, and the claims against the City of Walla Walla remain pending. The City anticipates that its liability, if any, will be paid by WCIA. The amount of the City of Walla Walla's potential liability exposure cannot be estimated at this time, but the City's estimated maximum out-of-pocket exposure is estimated to be no more than \$1,000.

Miscellaneous other minor claims have been made against the City of Walla Walla, which have been tendered to its insurance pool WCIA. Defense and indemnification for any such claims is and will be provided by WCIA. The City reasonably anticipates that it will suffer no liability adverse to its financial condition as a result of any such claims. The estimated aggregate maximum exposure to the City on any claims defended by WCIA is no more than \$1,000.

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.

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

Interfund loans provide upfront, one-time funding for physical improvements from otherwise idle equipment replacement funds. Each loan will be repaid over time from the fund receiving the physical improvement benefit and tend to be shorter-term in nature. The total interfund loan balance includes \$391,752, which is due within one year, and \$1,237,608, which is due in more than one year, from the date of the financial statements.

A. Interfund Balances

Interfund balances on December 31, 2021, are as follows:

Receivable Fund	Amount	Payable Fund	Amount
General	\$144,480	General	\$477,508
Equipment Replacement	1,484,880	Non-Major Government	360,273
	-	Major Enterprise	626,855
	-	Non-Major Enterprise	164,723
Total	\$1,629,360	Total	\$1,629,360

B. Interfund Transfers

Interfund transfers on December 31, 2021, are as follows:

Transfers From:		Transfers To:					Totals
	General Fund	Streets Construction	Non-Major Gov't	Other Enterprise	Internal Service	From:	
General Fund	\$ -	\$ -	\$3,985,120	\$1,115,000	\$838,140	\$5,938,260	
Streets CIP	-	-	199,405	-	-	\$199,405	
Non-Major Gov't	41,074	308,819	-	10,006	-	\$359,900	
Water/Wastewater	-	2,856,531	-	-	-	\$2,856,531	
Other Enterprise	11,920	-	-	-	-	\$11,920	
Internal Services	18,176	-	-	-	-	\$18,176	
Total Transfers:	\$71,170	\$3,165,350	\$4,184,525	\$1,125,006	\$838,140	\$9,384,192	

Transfers between funds are used to 1) move revenues from the fund with the collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts, 3) move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and funding street construction

projects, 4) move amounts between funds to finance construction projects in accordance with the City's construction budget, and 5) transfer excess proceeds from finished construction projects back to the contributing funds.

NOTE 14 – RECEIVABLE AND PAYABLE BALANCES

Receivable balances include customer accounts receivable, grants receivable, NSF (returned payment) fees, reservation of recreation facilities, and retirement systems payments. Grants receivable relate to qualified expenditures made before the end of the year.

A. Receivables

Receivables on December 31, 2021, were as follows:

	Governmental Activities	Business-type Activities	Total
Taxes Receivable			
Property taxes	\$247,622	\$ -	\$247,622
Sales and B&O taxes	2,611,599	-	2,611,599
Total Taxes Receivable	\$2,859,221	\$ -	\$2,859,221
Other Receivables (net of allowance for uncollectible)			
Accounts receivable	\$390,502	\$2,938,221	\$3,328,723
Other receivable	218,736		218,736
Interest receivable	33,433	-	\$33,433
Total Other Receivables	\$642,671	\$2,938,221	\$3,501,892

Receivables for the Ambulance Fund are reported net of allowance for uncollectible accounts. The city uses historical collection rates and estimates that 50.51% of the receivables, or \$275,542 on December 31, 2021, will ultimately prove uncollectible for the Ambulance Fund.

B. Payables

Other liabilities include use tax payable and customer prepayments. Payables on December 31, 2021, were as follows:

	Governmental Activities	Business-type Activities	Total
Other Accrued Liabilities			
Employee Wages and Benefits	\$2,025,692	\$520,198	\$2,545,890
Other Liabilities	9,751	164,933	\$174,683
Total	\$2,035,443	\$685,131	\$2,720,573

NOTE 15 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021.

Aggregate OPEB Amounts – LEOFF 1 Medical	
OPEB liabilities	\$19,874,312
Deferred outflows of resources	\$142,380
Deferred inflows of resources	-
OPEB expenses/expenditures	\$216,110

The City elected to use the Alternative Measurement Method (AMM) to calculate the 2021 total OPEB liability.

Plan Description. As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under single-employer defined benefit healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plans, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. The board is made up of the following five members: two City of Walla Walla council members, a "citizen at large" appointed by the City, one retired firefighter, and one retired police officer.

Benefits Provided. The City reimburses 100% of the validated claims for medical, dental, and hospitalization costs incurred by retirees. The plan requires members to sign up for Medicare; when they reach age 65, the City pays the premiums. In addition, the City purchases commercial health insurance for retirees. The Board must approve any medical reimbursements not covered by Medicare or the City's insurance. The plan is considered closed to new entrants.

Employees covered by benefit terms. On December 31, 2021, the City had 39 participants in the plan, all of which were inactive employees or beneficiaries currently receiving benefits.

The City of Walla Walla's prior measurement date of June 30, 2020, the number of members who are eligible for benefits has decreased by three. The plan is funded on a pay-as-you-go basis, and there are no assets accumulated in a qualifying trust. The employer's contributions to the plan are not irrevocable. The LEOFF 1 Medical plan assets are not legally protected from creditors of the City.

Contribution Requirements. As required by State statute, the City provides contributions on a pay-as-you-go basis. The City pays a monthly insurance premium to cover each retiree as well as any remaining eligible out-of-pocket expenses. Retirees are not required to contribute to the plan. As of December 31, 2021, the City paid \$273,204 out of the General Fund and \$42,661 out of the Ambulance fund for medical insurance and other qualifying expenses. The amounts paid subsequent to the measurement date were \$120,820 from the General Fund and \$21,559 from the Ambulance fund. The City of Walla Walla's OPEB financial reports are included in the 2021 comprehensive financial annual report.

Assumptions and Other Inputs. The City of Walla Walla's total OPEB liability was calculated by the Alternative Measurement Method (AMM) actuarial valuation as of June 30, 2021. The City used this method in place of an actuarial evaluation. The following actuarial methods and assumptions were applied to all periods included in the measurement unless otherwise specified.

Methodology:

Actuarial Valuation Date	6/30/2021
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)

Assumptions:

Assumptions	
Discount Rate	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Healthcare Trend Rates	
Medical Costs	Initial rate is about 5.3%, trends down to about 5% in the 2020's.
Long-Term Care	4.50%
Medicare Part B Premiums	Approximately 5%, varies by year.
Mortality Rates (assume 100% male population)	
Base Mortality Table	PubS.H-2010 (Public Safety)
Age Setback	+1 year Healthy/0 years Disabled Blended 50%/50% Healthy/Disabled
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Medicare Participation Rate	100%

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 6%, as well as what the OPEB liability would be if it were calculated using a discount rate that is a one-percentage point lower (5%) or one-percentage-point higher (7%) that the current rate.

	1% Decrease 5%	Current Healthcare Cost Trend Rate 6%	1% Increase 7%
Total OPEB Liability	\$18,171,786	\$19,874,312	\$21,814,470

The following presents the total OPEB liability of the City calculated using the discount rate of 2.21%, as well as what the OPEB liability would be if it were calculated using a discount rate that is a one-percentage point lower (1.21%) or a one-percentage point higher (3.21%) that the current rate.

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	\$21,980,621	\$19,874,312	\$21,814,470

Changes in the Total OPEB Liability.

LEOFF 1 Medical	
OPEB Liability at 01/01/2021	\$20,745,315
Service cost	-
Interest	446,525
Changes of benefit terms	-
* Differences between expected and actual experience and changes of assumptions	(230,415)
Estimated Benefit payments	(1,087,003)
Other changes	-
OPEB Liability at 12/31/2021	\$19,874,312

Deferred outflows of resources of \$142,380 resulting from payments subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended December 31, 2021.

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$(230,415)	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	-
Contributions made subsequent to the measurement date	-	142,380
Total	\$(230,415)	\$142,380

Deferred outflows of resources of \$142,380 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 46,083
2023	\$ 46,083
2024	\$ 46,083
2025	\$ 46,083
2026	\$ 46,083
Thereafter	\$ -

NOTE 16 – CLOSURE AND POST-CLOSURE CARE COSTS

Background: The City of Walla Walla (City) owns three landfills: 1) Sudbury Road Landfill (SRL); 2) the closed Tausick Way Landfill (TWL); and 3) the closed

Isaacs Inert Waste Landfill (IIWL/Burdine property). The SRL covers approximately 125 acres and is located within the western portion of an 829-acre City-owned section of land zoned as Public Reserve. Municipal Solid Waste (MSW) has been placed in five separate areas at the SRL – Areas 1, 2, 5, 6, and 7. Areas 1, 2, 5, and 6 are closed, unlined cells, and contain MSW. Area 7 is a lined cell that has been in operation since 2006 and is actively receiving MSW. Area 7 has a projected capacity until 2030 when the area will either be closed or a revised permit submitted for vertical expansion to 2038. Area 6 reached its capacity in 2008 and was closed in accordance with WAC 173-351. The City is currently performing monitoring of Area 6.

Operations at the 78-acre Tausick Way Landfill (TWL) ceased in 1979 and was closed under regulations at the time. The TWL is maintained through the Landfill's operations and management budget, which includes mowing, pesticide spraying, methane monitoring, and fence repair.

The Isaacs Inert Waste Landfill (also known as the IIWL/Burdine property) is permitted as an inert waste disposal site and is used and monitored by the City. The IIWL is at capacity, so in 2019 a project was completed, which graded the site and placed a final cover over the inert landfill. The site was closed in 2021 with the Washington State Department of Ecology (DOE) and the Department of Health.

Closure and Post-Closure Costs: Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City must record a portion of these closure and post-closure costs each year as an expense. That expense calculation is based upon the landfill capacity used in the reported period. The City must also recognize a liability that is directly related to the cumulative capacity consumed at the landfill. A permit modification for Area 7 was submitted to the Department of Health and the DOE in December 2016 for Cell 3. The expansion permit was formally approved by the DOE on February 22, 2017. With this expansion (constructed in the spring/summer of 2017), Area 7 has a total permitted capacity of 1,813,000 cubic yards. As of 7/27/2021, Area 7 is approximately 67% filled.

The permit revision for Area 7, Cell 3, included a revision to the closure and post-closure plan. The total long-term closure and post-closure costs for Area 7 (Cells 1-3) is estimated at \$4,527,671 (in 2021 dollars). However, when adjusted for estimated capacity used between the survey date and December 31, 2021, the estimated capacity filled is 69%, and the amount of the liability for closure is \$969,970, and post-closure is \$2,149,988. As of December 31, 2021, cash and investments of \$4,748,934 has been accumulated and set aside for estimated closure and post-closure costs. The financial assurance plan for the City has been updated. Closure and post-closure costs will be met through rate revenues.

In December 2021, a consultant for the City and the Public Works Department of the City estimated the cost of closure for the IIWL/Burdine property. Closure costs were estimated at \$5,000 for 2021. The City has recorded a liability in the amount of \$5,000 costs associated with the IIWL/Burdine property.

As part of its budget process, the City reviews the closure and post-closure cost estimate from the landfill consultant and adjusts the liability to account-based upon inflation, changes in technology, and/or changes in regulations. The total closure and post-closure cost is an estimate and subject to change resulting from ongoing operations and cap construction, inflation, deflation, technology, or changes in applicable laws or regulations.

NOTE 17 – POLLUTION REMEDIATION OBLIGATIONS

Governmental Accounting Standards Board (GASB) Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations, became effective for fiscal periods beginning after December 15, 2007. GASB Statement 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and provides guidance on how to calculate and report the costs of obligations associated with pollution cleanup efforts.

The Sudbury Road Landfill is a City-owned and operated landfill which the DOE determined required remediation in 2008 pursuant to the Model Toxics Control Act (MTCA). The City entered into Agreed Order No. 8456 with the DOE in 2011 and completed a remedial investigation/feasibility study. In 2015, the DOE prepared a Cleanup Action Plan (CAP) that describes the activities required to implement the selected remedy. The requirements of the CAP were incorporated into Consent Decree 15-2-00536-8 (Decree) in August 2015. The remedy was constructed in 2016. Operation of the remediation systems, long-term monitoring, and reporting will be conducted until specific cleanup levels in groundwater are achieved. At a minimum, the remediation will extend through 2022.

Two Toxic Cleanup Remedial Action Grants have been received from the DOE. The grants provided a 75% state-funded grant share with a 25% recipient contribution to cover remediation costs. Agreement No. TCPRA-2014-WaWal-00009 dated January 1, 2014, provided grant funding for the Remedial Investigation and Feasibility Study. Agreement No. TCPRA-2015-WaWal-00050 provided additional funds for the remedy design, construction, monitoring, and reporting activities that are required under the Decree. The second grant bridged the funding through June 30, 2019. The City's financial liability has been further reduced by insurance coverage reimbursement payments.

The post-remediation liability was calculated for financial assurance purposes in accordance with the MTCA grant. This liability is based on a planning-level cost estimate to complete the cleanup action on a ten-year post-remediation scenario. Costs included in the calculation include anticipated post-remediation monitoring, annual inspections, and payments to the DOE.

Pursuant to GASB Statement 49, the City is reporting a \$164,502 in current liability and \$1,181,638 in long-term liability in its landfill fund for its estimated post-remediation liability. The obligation is an estimate subject to changes resulting from price increases or reductions, technology, DOE requirements, or laws and regulations. In 2021, the DOE required that the City reserve \$671,356 in a financial assurance account to cover monitoring expenditures in the event that the City cannot complete the cleanup using City funds.

The TWL is a closed, formerly permitted municipal waste landfill that was operated by the City between the 1940s and 1970s. On May 30, 2013, the City received an Early Notice from DOE for its TWL property. The DOE subsequently decided the TWL property will be added to the Confirmed and Suspected Contaminated Sites database and that a Site Hazard Assessment will be conducted. At this time, the associated pollution remediation liability, if any, cannot be reasonably estimated. The City continues to monitor the potential for off-site migration of landfill gas. No significant landfill gas has been detected off-property to date.

The IWL/Burdine property was formerly privately held property that, according to available records, appears to have had a history of sand and gravel mining and subsequent solid and inert waste disposal. It is adjacent to the City's closed TWL, and is located at 2740 East Isaacs Avenue, Walla Walla, Washington. The City purchased the property in 1999 to resolve a garbage trespass claim and maintains ownership today. On February 4, 2004, the City

received an Early Notice letter from DOE for the IIWL/Burdine property stating that contaminated soil was reportedly found on the IIWL/Burdine property. Remedial studies were performed and the City was granted an inert landfill permit for the IIWL/Burdine property in 2006 which requires the City to perform groundwater monitoring in 2006 through 2007.

In 2012 the City received a \$200,000 Integrated Planning Grant from DOE to study whether the IIWL/Burdine property could be redeveloped as a brownfield development. The study looked at three options, two development scenarios and one scenario to cap and close the IIWL/Burdine property. In 2021, the City closed the site with the DOE and the Department of Health. At this time, it is not anticipated that there will be a requirement for remediation of the site.

As part of its budget process, the City reviews the remediation cost estimate from the landfill consultant and adjusts the liability to account for any needed adjustments based upon inflation, changes in technology, and/or changes in regulations. The total remediation cost is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws or regulations.

NOTE 18 – COVID-19 PANDEMIC

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

For several months in 2021, the City Manager directed that all City buildings remain closed to the public, that department directors should reduce the number of people working in City buildings, all City employees should continue to meet at a distance or wear masks and socially distance themselves from other, and everyone should abide by the requirements of the Governor.

The City did not experience a significant loss in revenue, including sales tax, and tourism continued as it had in previous years. In 2021, the City received funding under the American Rescue Plan Act (ARPA) and is expecting to receive continued funding in 2022.

NOTE 19 – EXTRAORDINARY EVENTS

In February 2020, the City experienced significant damage due to flooding of Mill Creek, including:

- Floodwaters filled the Intake Facility area behind the dam with sand, rock, and debris, making it impossible to intake water. They cut off the Mill Creek water supply to the City's residents. The City estimated \$250,000 of damages.
- The City provides drinking water to 36 private connections fed by a groundwater well located downstream of the Intake Facility. The Glen Water System suffered substantial damage, and the initial estimated repair costs were \$250,000.
- A 30" water transmission line is the primary water line that conveys water from the intake facility to the water treatment plant. The estimated repair expense for three primary areas of damage is \$1.5 million.
- The telemetry communications line is the underground line that provides communication from the intake facility to the water treatment plant. The estimated damages are \$100,000.

The flood area was designated a national disaster making the repairs eligible for reimbursement under FEMA. The total City expenses that qualified for insurance reimbursement were \$783,130. The City received a \$187,410 payment from WCIA in 2020 and received \$389,237 in 2021. In addition, the City received \$4449,936 in FEMA reimbursements for the same event.

NOTE 20- SUBSEQUENT EVENTS

On March 11, 2021, President Biden signed the funding bill for the American Rescue Plan Act (ARPA). Included in the bill was funding for the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). As a result of the bill, the City of Walla Walla is scheduled to receive \$9,974,964 in two payments over the next two years. The first payment of \$4,987,482 was received in May 2021 and a second payment in the same amount is expected to be received in May of 2022. The deadline for committing the funds is December 31, 2024 and the deadline for spending the funds in December 31, 2026. The City is allowed to pay for the provision of government services to the extent of the reduction of revenue collected due to COVID-19. At this time, the City has not finalized its calculations for the revenue loss and has not finalized its plan for the use of the CSLFRF funds.

On January 6, 2022, the U.S. Department of the Treasury (Treasury) adopted the final rule implementing the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The final rule became effective on April 1, 2022. As part of the final rule, Treasury revised the guidelines for determining revenue loss due to COVID-19 to offer a standard allowance of \$10,000,000 or the amount of the award, whichever was less. The City opted to select the standard allowance and record all of its award of \$9,974,964 as lost revenue and has reported that selection on its April 30, 2022 report to Treasury.

City of Walla Walla
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts				
	Original	Final	Actual	Variance with Final Budget	
REVENUES					
Taxes	\$ 48,904,810	\$ 51,343,980	\$ 26,541,434	\$ (24,802,546)	
Licenses and permits	1,482,400	1,482,400	777,499	(704,901)	
Intergovernmental revenues	3,596,850	7,093,767	5,674,320	(1,419,447)	
Charges for goods and services	21,172,810	21,647,790	10,660,855	(10,986,935)	
Fines and forfeitures	280,000	242,000	78,071	(163,929)	
Miscellaneous revenues	1,504,950	1,440,030	674,897	(765,133)	
Total revenues	76,941,820	83,249,967	44,407,076	(38,842,891)	
EXPENDITURES					
Current:					
General Government	25,389,640	26,020,994	12,473,683	13,547,311	
Public Safety	31,138,550	31,880,574	15,734,051	16,146,523	
Utilities and Environment	1,207,820	1,253,170	606,278	646,892	
Economic Development	2,065,350	2,294,712	1,272,822	1,021,890	
Culture and Rec	9,172,270	9,944,544	5,166,231	4,778,313	
Social Services	565,540	575,470	250,166	325,305	
Total current	69,539,170	71,969,464	35,503,231	36,466,233	
Debt service:					
Interest	95,000	89,150	3,017	86,133	
Principal retirement	303,570	149,030	-	149,030	
Total debt service	398,570	238,180	3,017	235,163	
Capital outlay:					
Capital General	-	68,130	48,854	19,276	
Capital Public Safety	207,520	172,686	110,420	62,266	
Total capital outlay	207,520	240,816	159,274	81,542	
Total expenditures	70,145,260	72,448,460	35,665,522	36,782,938	
Excess (deficiency) of revenues over expenditures	6,796,560	10,801,507	8,741,554	(2,059,953)	
OTHER FINANCING SOURCES (USES)					
Transfers in	607,710	906,570	172,000	(734,570)	
Transfers out	(6,982,360)	(9,424,980)	(6,039,090)	3,385,890	
Gain(loss) on disposal of capital	-	10,840	10,835	(5)	
Proceeds from refunding bond	-	428,450	-	(428,450)	
Total other financing sources (uses)	(6,374,650)	(8,079,120)	(5,856,255)	2,222,865	
Net change in fund balances	421,910	2,722,387	2,885,300	162,912	
Fund balances - beginning	7,541,940	7,541,940	7,541,940	-	
Fund balances - ending	\$ 7,963,850	\$ 10,264,327	\$ 10,427,240	\$ 162,912	

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

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.095589%	0.094548%	0.097637%	0.096921%	0.095323%	0.094658%	0.092117%
Employer's proportionate share of the net pension liability (asset)	\$ 1,167,365	\$ 3,338,055	\$ 3,754,489	\$ 4,328,525	\$ 4,523,151	\$ 5,083,581	\$ 4,818,576
TOTAL	\$ 1,167,365	\$ 3,338,055	\$ 3,754,489	\$ 4,328,525	\$ 4,523,151	\$ 5,083,581	\$ 4,818,576
Covered payroll	\$ 14,227,862	\$ 14,092,049	\$ 13,529,785	\$ 12,755,063	\$ 11,870,367	\$ 11,277,102	\$ 10,430,823
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8.20%	23.69%	27.75%	33.94%	38.10%	45.08%	46.20%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

* The City of Walla Walla presented only years in which information is available.

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.120159%	0.119545%	0.123261%	0.120879%	0.119835%	0.118477%	0.116406%
Employer's proportionate share of the net pension liability (asset)	\$ (11,969,770)	\$ 1,528,912	\$ 1,197,283	\$ 2,063,901	\$ 4,163,693	\$ 5,965,223	\$ 4,159,253
TOTAL	\$ (11,969,770)	\$ 1,528,912	\$ 1,197,283	\$ 2,063,901	\$ 4,163,693	\$ 5,965,223	\$ 4,159,253
Covered payroll	\$ 14,099,700	\$ 13,963,413	\$ 13,403,446	\$ 12,632,163	\$ 11,752,101	\$ 11,168,410	\$ 10,329,845
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-84.89%	10.95%	8.93%	16.34%	35.43%	53.41%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability

LEOFF 1

As of June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.099969%	0.101817%	0.102666%	0.102813%	0.101943%	0.104522%	0.105656%
Employer's proportionate share of the net pension liability (asset)	\$ (3,424,507)	\$ (1,922,823)	\$ (2,029,307)	\$ (1,866,572)	\$ (1,546,700)	\$ (1,076,875)	\$ (1,273,388)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (23,163,280)	\$ (13,005,928)	\$ (13,726,185)	\$ (12,625,447)	\$ (10,461,838)	\$ (7,283,959)	\$ (8,613,165)
TOTAL	\$ (26,587,787)	\$ (14,928,751)	\$ (15,755,492)	\$ (14,492,019)	\$ (12,008,538)	\$ (8,360,834)	\$ (9,886,553)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

* The City of Walla Walla presented only years in which information is available.

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability

LEOFF 2

As of June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.261191%	0.256457%	0.269990%	0.276442%	0.303723%	0.273693%	0.277581%
Employer's proportionate share of the net pension liability (asset)	\$ (15,171,055)	\$ (5,231,348)	\$ (6,254,839)	\$ (5,612,375)	\$ (4,214,691)	\$ (1,591,881)	\$ (2,852,978)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (9,786,986)	\$ (3,345,051)	\$ (4,096,082)	\$ (3,633,907)	\$ (2,733,991)	\$ (1,037,790)	\$ (137,841)
TOTAL	\$ (24,958,041)	\$ (8,576,399)	\$ (10,350,921)	\$ (9,246,282)	\$ (6,948,682)	\$ (2,629,671)	\$ (2,990,819)
Covered payroll	\$ 10,067,025	\$ 9,714,997	\$ 9,426,922	\$ 9,139,727	\$ 9,503,747	\$ 8,291,300	\$ 8,056,482
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Employer Contributions
PERS 1

As of December 31, 2021
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required contributions	\$ 631,853	\$ 682,828	\$ 700,787	\$ 675,228	\$ 611,015	\$ 555,681	\$ 480,611	\$ 404,980	\$ 303,071	\$ 119,317
Contributions in relation to the statutorily or contractually required contributions	\$ (631,853)	\$ (682,828)	\$ (700,787)	\$ (675,228)	\$ (611,015)	\$ (555,681)	\$ (480,611)	\$ (404,980)	\$ (303,071)	\$ (119,317)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,521,020	\$ 14,068,187	\$ 13,895,819	\$ 13,174,059	\$ 12,350,656	\$ 11,501,607	\$ 11,021,440	\$ 9,894,290	\$ 9,434,853	\$ 9,212,829
Contributions as a percentage of covered payroll	4.35%	4.85%	5.04%	5.13%	4.95%	4.83%	4.36%	4.09%	3.21%	1.30%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

City of Walla Walla
Schedule of Employer Contributions

PERS 2/3
As of December 31, 2021
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required contributions	\$ 1,025,843	\$ 1,104,588	\$ 1,058,819	\$ 978,142	\$ 827,402	\$ 709,084	\$ 602,117	\$ 488,418	\$ 440,889	\$ 528,487
Contributions in relation to the statutorily or contractually required contributions	\$ (1,025,843)	\$ (1,104,588)	\$ (1,058,819)	\$ (978,142)	\$ (827,402)	\$ (709,084)	\$ (602,117)	\$ (488,418)	\$ (440,889)	\$ (528,487)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,384,575	\$ 13,949,127	\$ 13,766,786	\$ 13,049,726	\$ 12,229,108	\$ 11,385,254	\$ 10,917,363	\$ 9,779,302	\$ 9,290,243	\$ 9,039,970
Contributions as a percentage of covered payroll	7.13%	7.92%	7.69%	7.50%	6.77%	6.23%	5.52%	4.99%	4.75%	5.85%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

City of Walla Walla
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2021
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required contributions	\$ 522,499	\$ 531,482	\$ 477,230	\$ 496,212	\$ 476,302	\$ 454,340	\$ 413,118	\$ 397,591	\$ 369,799	\$ 377,328
Contributions in relation to the statutorily or contractually required contributions	\$ (522,499)	\$ (531,482)	\$ (477,230)	\$ (496,212)	\$ (476,302)	\$ (454,340)	\$ (413,118)	\$ (397,591)	\$ (369,799)	\$ (377,328)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,158,238	\$ 10,289,935	\$ 9,154,391	\$ 9,394,473	\$ 9,266,556	\$ 8,995,544	\$ 8,192,390	\$ 7,873,077	\$ 7,297,391	\$ 7,427,670
Contributions as a percentage of covered payroll	5.14%	5.17%	5.21%	5.28%	5.14%	5.05%	5.04%	5.05%	5.07%	5.08%

Notes to Schedule:

Valuation Date: June 30, 2020

Cost method: Entry Age Normal

Inflation: 2.75%

Salary Increase: 3.5%

Investment Rate of Return: 7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates

City of Walla Walla
Schedule of Changes in Net Pension Liability and Related Ratios
Firemens' Pension Plan
Last Ten Fiscal Years* (expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
Interest	51	65	89	84	87	87	89	N/A	N/A	N/A
Effect of plan changes	-	-	-	-	-	-	-	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	-	117	-	-	117	-	-	N/A	N/A	N/A
Effect of assumption changes or inputs	-	165	235	(97)	53	(55)	-	N/A	N/A	N/A
Benefit payments, including refunds of contributions	(147)	(194)	(132)	(180)	(185)	(173)	-167	N/A	N/A	N/A
Net change in total pension liability	(96)	153	192	(193)	73	(141)	-78	N/A	N/A	N/A
Total pension liability - beginning	2,647	2,493	2,301	2,494	2,421	2,562	2640	N/A	N/A	N/A
Total pension liability - ending (a)	<u>\$ 2,551</u>	<u>\$ 2,647</u>	<u>\$ 2,493</u>	<u>\$ 2,301</u>	<u>\$ 2,494</u>	<u>\$ 2,421</u>	<u>2562</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position										
Contributions - employer	\$ 113	\$ 156	\$ 80	\$ 122	\$ 185	\$ 140	27	N/A	N/A	N/A
Contributions - state fire insurance premium tax	56	54	50	50	49	47	45	N/A	N/A	N/A
Investment income net of investment expense	-	-	-	-	-	-	-	N/A	N/A	N/A
Benefit payments, including refunds of contributions	(147)	(194)	(132)	(180)	(185)	(173)	-167	N/A	N/A	N/A
Administrative expense	(3)	(12)	(3)	(12)	(3)	(12)	-	N/A	N/A	N/A
Net change in plan fiduciary net position	18	3	(5)	(20)	47	2	-95	N/A	N/A	N/A
Plan fiduciary net position - beginning	86	82	88	108	61	59	154	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	<u>104</u>	<u>86</u>	<u>82</u>	<u>88</u>	<u>108</u>	<u>61</u>	<u>59</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability ending (a) - (b)	<u>\$ 2,447</u>	<u>\$ 2,561</u>	<u>\$ 2,411</u>	<u>\$ 2,213</u>	<u>\$ 2,386</u>	<u>\$ 2,360</u>	<u>2503</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a % of total pension liability (b)/(a)	4.07%	3.24%	3.30%	3.81%	4.32%	2.53%	0.0231	N/A	N/A	N/A
Covered payroll	-	-	-	-	-	-	-	N/A	N/A	N/A
Net pension liability as a % 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:

Valuation Date: January 1, 2020

Measurement Date: December 31, 2021

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 2.00%

Mortality : RP Mortality Table

* The City of Walla Walla presented only years in which information is available.

City of Walla Walla
Schedule of Employer Contributions
Firemens' Pension Plan

Last Ten Fiscal Years* (expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015
Actuarially/statutorily/contractually determined contribution	\$ 112,750	\$ 155,510	\$ 79,811	\$ 122,045	\$ 184,705	\$ 172,713	\$ 167,146
Actual contribution in relation to the above	\$ (112,750)	\$ (155,510)	\$ (79,811)	\$ (122,045)	\$ (184,705)	\$ (172,713)	\$ (167,146)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a % of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Valuation Date: January 1, 2020

Measurement Date: December 31, 2021

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 2.00%

Mortality : RP Mortality Table

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Investment Returns
Firemens' Pension Plan

Last Ten Fiscal Years* (expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
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Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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Notes to Schedule:

Valuation Date: January 1, 2020

Measurement Date: December 31, 2021

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 2.00%

Mortality : RP Mortality Table

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Changes in Total OPEB Liability and Related Ratios

LEOFF 1 Medical

For the Year Ended December 31, 2021

Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 20,745,315	\$ 20,389,815	\$ 20,797,992	\$ 21,676,292
Service cost	-	-	-	-
Interest	446,525	693,927	784,605	757,571
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(230,415)	798,003	(134,815)	(596,534)
Changes of assumptions	-	-	-	-
Benefit payments	(1,087,003)	(1,136,430)	(1,057,967)	(1,039,337)
Other changes	-	-	-	-
Total OPEB liability - ending	\$ 19,874,422	\$ 20,745,315	\$ 20,389,815	\$ 20,797,992
Covered payroll	-	-	-	-
Total OPEB liability as a % of covered payroll	-	-	-	-

Notes to Schedule:

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Valuation Date: June 30, 2020

Measurement Date: June 30, 2020

Actuarial Cost Method: Entry Age Normal

Medical Costs: Initial rate is about 6%, trends down to about 5% in the 2020's.

Long-term Care: 4.5%

Medicare Part B Premiums: Approximately 5%, varies by year

Mortality : RP-2000 Mortality Table

City of Walla Walla
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Passed through Washington State Department of Natural Resources)	Cooperative Forestry Assistance	10.664	2017-DG- 11062765-729	20,000	-	20,000	-	1, 4
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	B-18-MC-53-0025	-	26,067	26,067	2,022	1, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53-0025	-	119,745	119,745	50,870	1, 2, 3
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-53-0025	-	187,483	187,483	96,254	1, 3
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-53- 0025	-	54,923	54,923	54,923	1, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-53-0025	-	148,542	148,542	58,907	1, 4
Total CDBG - Entitlement Grants Cluster:				-	536,760	536,760	262,976	

The accompanying notes are an integral part of this schedule.

ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Passed through Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-171	57,264	-	57,264	57,264	1, 4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Passed through Washington State Department of Commerce)	Crime Victim Assistance	16.575	S20-31219-041	55,067	-	55,067	-	1, 4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Passed through Washington State Department of Commerce)	Crime Victim Assistance	16.575	S22-31219-034	44,030	-	44,030	-	1, 4
Total CFDA 16.575:				99,097	-	99,097	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Passed through Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F19-31103-038	16,215	-	16,215	-	1, 4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	n/a	-	2,680	2,680	-	1, 4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0364	-	10,280	10,280	-	1, 4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01972-JAGX	-	12,968	12,968	-	1, 4
Total CFDA 16.738:				-	23,248	23,248	-	

Highway Planning and Construction Cluster

FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Dept of Transportation)	Highway Planning and Construction	20.205	STPUS-7214(005)/LA-9059	3,509	-	3,509	-	1, 2, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Dept of Transportation)	Highway Planning and Construction	20.205	BRM-7190(012)/LA-9730	3,870,765	-	3,870,765	-	1, 2, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Dept of Transportation)	Highway Planning and Construction	20.205	TAP-9936(006)/LA-9804	577	-	577	-	1, 2, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Dept of Transportation)	Highway Planning and Construction	20.205	HISP-000S(535)/LA-9761	555,226	-	555,226	-	1, 2, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Dept of Transportation)	Highway Planning and Construction	20.205	STPUS-HIPUS-7198(003)/LA10071	208,549	-	208,549	-	1, 2, 4
Total Highway Planning and Construction Cluster:				4,638,626	-	4,638,626	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Passed through Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	411	-	411	-	1, 4
Total Highway Safety Cluster:				411	-	411	-	

The accompanying notes are an integral part of this schedule.

DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	3,112,650	3,112,650	-	1, 2, 4
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Passed through Office of Secretary of State Library)	COVID 19 - Grants to States	45.310	LS-250243-OLS- 21	7,652	-	7,652	-	1, 2, 4
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	HHS- 72917424993	-	38,959	38,959	-	1, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D-20-152/4481 - DR-WA	91,287	-	91,287	-	1, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-2015/4539- DR-WA	55,897	-	55,897	-	1, 2, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Office of Emergency Management)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4519-OR	394,039	-	394,039	-	1, 2
Total CFDA 97.036:				541,223	-	541,223	-	
Total Federal Awards Expended:				5,380,488	3,714,297	9,094,785	320,240	

The accompanying notes are an integral part of this schedule.

City of Walla Walla
Schedule Of Expenditures Of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the City's financial statements. The City of Walla Walla uses the accrual basis of accounting for all funds except the governmental fund types, expendable trust and agency funds, which use the modified accrual basis of accounting.

NOTE 2 - Indirect Cost Rate

The City of Walla Walla has 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. 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 \$49,562.94 and is presented in this Schedule. The amount of principal and interest received in loan repayments for the year was \$21,178.62.

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.

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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